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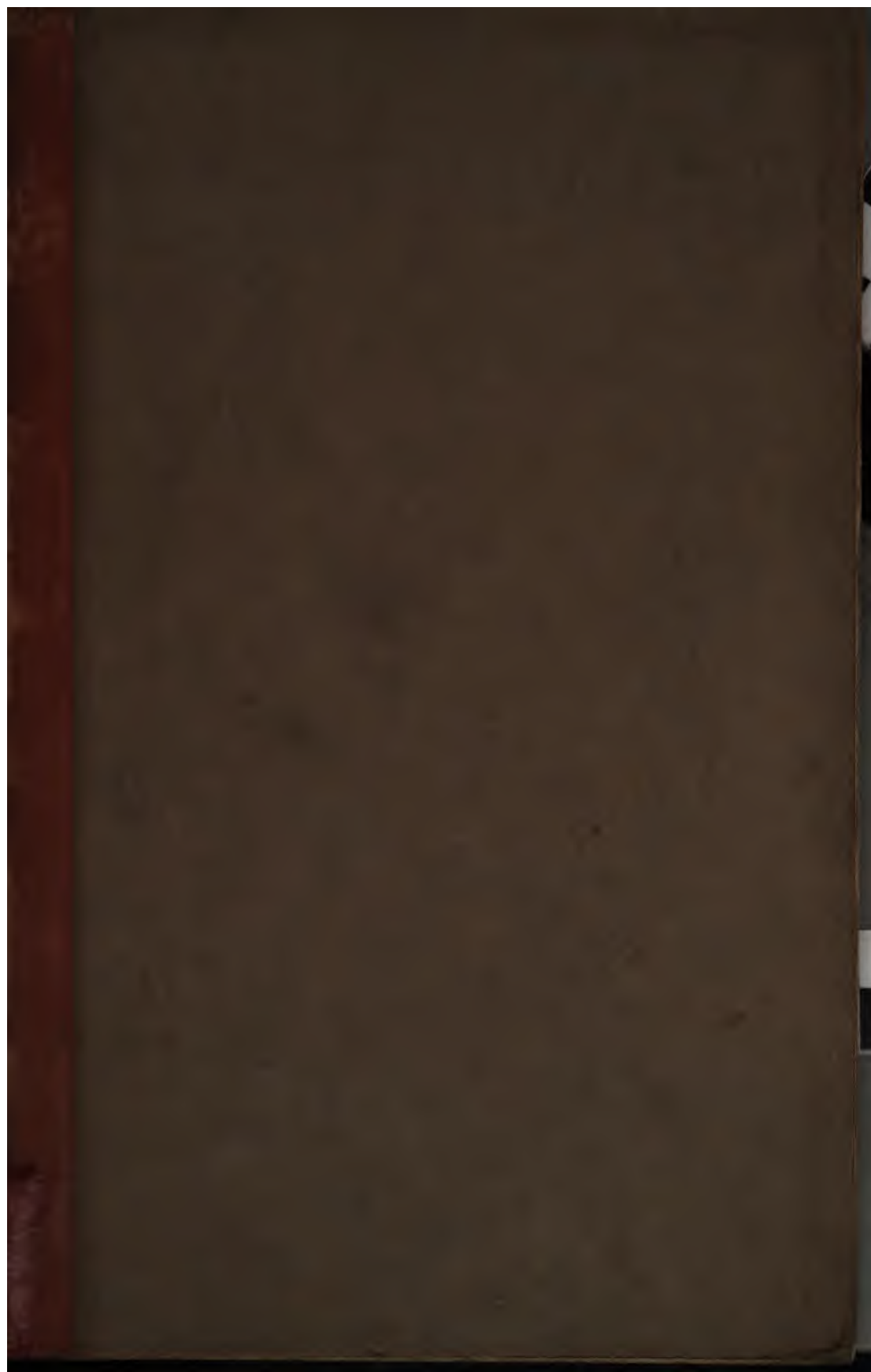
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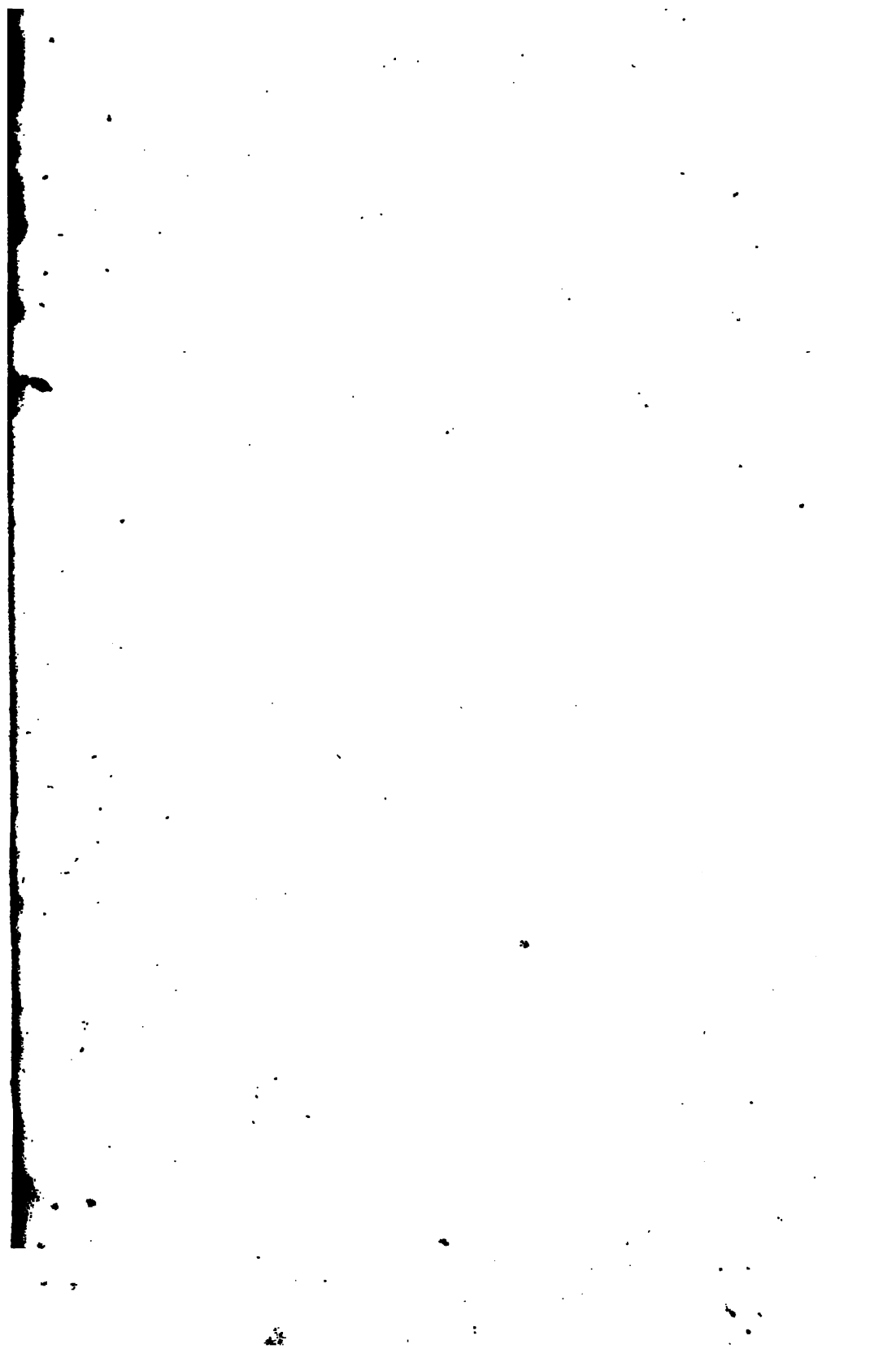




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STATEMENT

BY

SIR CHARLES TREVELYAN

OF THE

CIRCUMSTANCES CONNECTED WITH HIS RECALL.

FROM THE

GOVERNMENT OF MADRAS.

LONDON:

LONGMAN, GREEN, LONGMAN, AND ROBERTS.

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STATEMENT.

I wish to explain, in as few words as possible, the reasons of the opposition which I felt it my duty to offer to some of the financial arrangements proposed to be made in India. As the people of England have thought right to take the government of India out of the hands of those who so long administered it, they are bound to make themselves acquainted with the interests of their important charge. When it was announced that great and hazardous changes were to be made in the short space of two months, I saw that, at all risks to myself, and at any amount of personal sacrifice, I ought to secure for the Government and Parliament of England time to consider and express their opinion upon the proposed taxes before they became law. Nor can I regret what has passed, for, although my view was not adopted, the delay has led to very important modifications. Much of what I shall say will be found in Blue Books; but my reason for making this statement is, that Blue Books are seldom read. Soon after I was recalled, Mr. Wilson died nobly at his post in the devoted discharge of his important public duties. I shall, therefore, avoid as far as possible controverted topics, and confine myself to such plain and undoubted facts as are necessary for my justification.

Our financial difficulties in India have always been connected with military affairs, and the remedy for them is to be found in the reorganization of our military system.

While we were acting in the face of several powerful Native military monarchies, it was necessary to supplement our expensive European Force by a large Native Army ; and when war broke out, the Native Army was again supplemented by swarms of Native Irregular Levies. This practice was carried to an extreme during the Mutiny, when levies were raised almost at discretion by every local officer. There was, first, the remnant of the old Native Army ; then there was a large newly raised Irregular Force under the Commander-in-chief ; then another large Irregular Force under the civil authorities ; and, lastly, an inordinate European Force, required partly to put down the Mutiny and partly to keep the great Native Army in check.

This state of things had, however, no foundation in the permanent conditions of Indian administration ; and many circumstances concurred to show that the time had arrived for modifying our system to suit the altered nature of our position.

The people of India are, in general, remarkably docile and easily governed. The apathy with which they submit to any pretender who claims their allegiance has often excited the wonder of those who do not understand their character. If ever there was an occasion likely to bring them out against us, it was the opportunity afforded by the great Mutiny ; but the force then opposed to us was, not the people, but the military body, which we had ourselves formed, armed, and disciplined from among the people. The best administered Native Governments have always acted upon a principle suited to the character of the people. They have maintained a moderate force composed of their own natural adherents, and have had a surplus revenue which has been systematically laid up against the time of need.

Our own finances have been twice restored within the memory of the present generation by acting to a limited extent on this principle. The large levies raised

by Lord Hastings to carry on the Mahratta and Nepal wars were disbanded by Lord Amherst; and the levies made by Lord Amherst during the first Burmese war were discharged by Lord William Bentinck. On both these occasions a surplus revenue was established, and the balance of the finances was restored a third time before the Mutiny.* Deficit is, therefore, not the normal state of Anglo-Indian administration. As a general proposition, a state of peace in India is a state of financial prosperity, and the finances are deranged only by war.

The suppression of the Mutiny placed us in a position to remodel our system, and to make reductions far exceeding any that had taken place on any former occasion. No Native power remained, either in the interior or on the frontier, which could cause us the slightest anxiety. The still existing Native chiefs had loyally adhered to us; the great Bengal Native Army had collapsed; a general disarmament was in progress; and the efficacy of our military force was increased by the rapidly advancing state of the railways. The new levies expected, according to all former precedent, to be disbanded as soon as the emergency was over; and, owing to the great demand for labour caused by the railway works and by the high prices of produce, their absorption into the body of the community would have been unattended with any difficulty or danger, besides being extremely conducive to the increase of the resources of the country.

This reduction should have been accompanied by a reform which was equally necessary in a civil and

* There was a surplus in each of the four years from 1850 to 1853 inclusive; and in 1856-7, the year before the Mutiny, the deficit was only 143,000*L*, which is practically a balanced state of the finances

military point of view. Owing to the inefficient state of the police, the military force had been diverted to a great extent from its proper employment to the performance of civil duties. Military guards were furnished to treasuries, gaols, and civil offices; military posts were scattered over the country in support of the police; and a large force was perpetually circulating in small detachments on the duty of escorting treasure and public stores. The Native Army, therefore, had to be maintained at a much higher standard than would otherwise have been necessary; it was unduly harassed, and its discipline was seriously interfered with. In Upper India the matter took another turn, especially after the breaking up of the Bengal Army. A third description of force, unknown to any other system of government, was introduced between the army and the police, under the name of "military police." This was neither mobilised, disciplined, nor commanded like the army; nor was it employed in direct communication with the people, in the streets and highways, like an ordinary police. The necessary result followed, of waste of force and a low standard of efficiency. The obvious remedy was to form out of the existing materials a real police, under the superintendence of European officers, to which the civil duties discharged by the army and the military police might have been transferred; and the Native Army might then have been reduced, concentrated, and brought into a proper state of discipline, in subordination to the European Force, and the military police might have been entirely disbanded.

Whatever conduces to direct the activity of the people into the channels of peaceful industry, to give to the most influential classes a stake in the permanence of the existing Government, and to create a general impression of justice and security, has the double effect of increasing the productiveness of the public revenue and of diminishing the military and police expenditure. The

settlement of the inám question in the Madras Presidency, whereby upwards of 300,000 small landed properties* will be converted from a state of insecurity, which made them the habitual prey of corrupt Native officers, into the highest description of freehold tenure, is alone worth half a dozen regiments. The extension of freehold tenure to building and coffee lands was another step in the same direction, which will, I hope, be soon followed by declaring the land tax perpetual at the present reduced rates. The abolition of the master evil of the impressment of labour and carriage, has put heart into the trade and agriculture of the Southern Presidency. But the great measure for the whole of India is the reconstitution of the police and the improvement of the courts of justice. While we have been occupied with war and annexation and the collection of revenue, we have neglected the simple primary duty of the protection of life and property. A police can hardly be said to exist in many parts of British India. What is now taking place in Bengal is an instance in point. Troops are poured into districts where it used to be our boast that the presence of a military force was never required, and the production of one of our most valuable staples is seriously checked. An efficient police and a prompt administration of justice would restore mutual confidence, the beneficial influence of which would be immediately felt on the public income and expenditure. European interests should be secured by the supervision of a strong united High Court, by throwing open the bar and bench of the provincial courts to English barristers qualified in the languages and legal system, and by a suitable appli-

* There are 300,000 personal ináms only, besides the two large classes of religious and service ináms.

cation of trial by jury. But I will not multiply instances. It is impossible to govern a distrustful hostile people either economically or well. The loss of our American Colonies,—the happy change which took place in our relations with Ireland after ages of antagonism, when a policy of justice and conciliation was at last adopted,—the present state of Venetia, are full of instruction. With a population of only 30 millions, we cannot afford to hold command of 200 millions of subjects and dependent allies in India on the high-pressure principle of military force, and at the same time to extend our influence in all directions, as we are doing. A sufficient military force must be maintained in India in the highest state of efficiency; but the policy of Lord Cornwallis and Lord William Bentinck, as it has been illustrated and finally sanctioned by Her Majesty's Proclamation, should be our leading principle; and the fruit will be reaped, not only in financial prosperity, but also in the increase of every beneficial influence which a Christian Government should exercise over a heathen people.

This is the policy which I have always advocated since the real character of the crisis arising out of the great Mutiny became apparent. The first financial arrangement proposed by the Government of India was a tax upon tobacco and an increase of the salt tax. In a Minute dated the 10th June 1859 (Appendix, page 33) I recorded my opinion that the objections which had been made by the Madras Board of Revenue and by my colleagues in Council to the scheme for a tax upon tobacco were "so grave and decisive that it " would be a waste of time to discuss them;" and that more would be gained by properly enforcing the collection of the salt tax at the existing rates, than by increasing those rates. Then followed—

" Moreover, I am convinced, from a long and large " experience of Indian affairs, including a close obser-

“ vation of what has taken place since the commence-
 “ ment of the great catastrophe in Upper India, that
 “ the present financial exigency might be overcome in
 “ two or three years, by reduction of expenditure,
 “ combined with various measures of good admini-
 “ stration. Instead, therefore, of exhausting our
 “ ingenuity in devising new taxes and raising new
 “ loans, I recommend that we apply ourselves in
 “ serious, sober earnest to reducing expenditure, many
 “ large items of which are capable of being immediately
 “ acted upon, and to rendering the large balances in
 “ the treasuries more available. My Minute of the
 “ 28th ultimo shows what important financial results
 “ may be obtained, even from an ordinary attention
 “ to the military expenditure of this Presidency, in
 “ which the extra establishments consequent upon the
 “ war have not been carried to any great extent ; and
 “ it may hence be inferred what might be accomplished
 “ by a detailed manipulation of the expenditure of the
 “ whole of India, including the vast provisional estab-
 “ lishments in the north.

“ We ought not to increase the burdens of our Indian
 “ fellow subjects until it has been clearly ascertained
 “ that the object cannot be effected by the primary and
 “ more legitimate mode of reduction of expenditure.
 “ This is especially due to the people of the south of
 “ India, who, so far from having added to our
 “ embarrassments and losses by rising against us,
 “ have given us noble support, and have contributed
 “ throughout an increasing amount of revenue. The
 “ increase in the collections in this Presidency in the
 “ first ten months of the current revenue year, on a
 “ total revenue of only 4,86,63,248 rupees, has been
 “ 54,65,705 rupees, of which 48,48,672 is from the land
 “ tax, and 3,11,399 rupees from salt. The gulf of
 “ northern expenditure ought to be speedily fathomed,

“ in justice to the rest of India, else our taxation will
 “ be indefinitely increased, and our most indispensable
 “ public works, military as well as civil, will continue
 “ to be postponed or rejected.”

When I expressed my opinion to this effect, not even a rumour had reached India of the intention to appoint Mr. Wilson Financial Member of the Legislative Council.

The Governor-General in Council then asked for a fuller expression of the views of the Madras Government in reference to the “reduction of expenditure, combined with various measures of good administration,” which it was suggested in my Minute dated the 10th June might render a resort to further increased taxation unnecessary. This explanation was furnished in a Minute dated the 11th July (Appendix, page 35).

The next communication from the Government of India called for reports upon the first licence and income tax bill, from a few selected officers of the Madras Presidency in whose ability and judgment, and knowledge of the Native character, reliance could be placed. These reports were furnished, and my Minute upon them (Appendix, page 40,) contained a third statement of my opinion, before it was known what line Mr. Wilson intended to take.

Meanwhile, every practicable arrangement was made to diminish military expenditure in the Madras Presidency. Besides a complete revision of the arsenal establishments, and many other reductions, which in the aggregate amounted to a large annual sum, the four extra regiments and the battalion of Sapper Militia, which had been raised during the Mutiny, and the two veteran battalions which belonged to the old establishment, were broken up, and about 320 men were struck off the strength of each of the fifty-two regiments of Native infantry, making a total reduction of about 22,000 men. The Madras Government further recommended the disbandment of two

regiments of Native cavalry, of twelve regiments of Native infantry, and of a body of officers representing a disembodied regiment of cavalry.* This would have carried the numerical reduction to more than 30,000 men, including the gradual absorption of twenty-two expensive establishments of European officers. These important changes were rendered practicable by the satisfactory introduction of the new police into the majority of the districts of the Presidency. The severity of the duties imposed upon the Native troops had increased even in a greater proportion than the augmentation of the force; but, after the establishment of the new police, so many detachments were returned to the head quarters of their respective regiments, that a congestion of military force took place, and an extensive reduction became indispensably necessary, to prevent a dangerous fermentation of unemployed Native troops. There were only three or four corps of military police in the Presidency, and these have been absorbed into the new police.

The European troops employed on the Madras establishment were increased from 8,880 on the 1st of January

* This further reduction has now been made in the shape of the disbandment of three regiments of Native cavalry, and the discharge of another hundred men from each of the fifty-two regiments of Native infantry, which will hereafter consist of 600 privates formed into eight companies. This is very satisfactory; but the old "Coast Army," the scale of which was fixed when Hyder and Tippoo, and the Mahrattas and the Nizam, were formidable military powers, may be brought within still narrower limits. This should be done by the disbandment of entire regiments. We have more than we want or know what to do with, and the surplus Native Force obliges us to keep our Europeans in corresponding excess. As each regiment, however small, has a separate staff, contingencies, and barrack and commissariat expenditure, much more is saved by breaking up entire regiments than by discharging an equal number of men from regiments which are retained.

1857 to 18,356 on the 1st August 1859. When the Native Army shall have been effectually reduced, and have been subordinated and rendered auxiliary to the European Force, a considerable portion of this last-mentioned very expensive description of force may be withdrawn.

Half the military expenditure is connected with the commissariat and other subsidiary establishments. The revision of this expenditure was proceeding concurrently with the reduction and concentration of the army, upon which it chiefly depended ; and enough had been done to show that large savings might be made without any diminution of efficiency.

The result of these reductions could not be calculated with any certainty. The Native Army would have been reduced much below its standard before the Mutiny ; and the aggregate military expenditure would have been brought down at least to the same level. The Military Finance Commissioners, in their Report on the Madras Presidency, state that 1,775,000*l.* ought to be saved in the current year, 1860-61, without including the further reduction of force which had been recommended by the Madras Government. The additional charge for the new police in the same year is only 130,000*l.*

As Madras was farthest removed from the seat of war, the preparations there had not been on so large a scale as in the other Presidencies. The savings in Bombay and Bengal might, therefore, be expected to be in still greater proportion. The Military Finance Commissioners name 2,100,000*l.* as the amount which should be allowed for the Bombay Presidency, which is a reduction of upwards of two millions sterling, compared with the sum included in Mr. Wilson's Financial Statement as the military expenditure of 1859-60. But the new levies and other military expenditure had been carried to the greatest height in Bengal, which had been the actual seat of war.

According to a return dated the 21st May 1860—

The Native troops under the orders of the Commander-in-chief were	64,880
While those not under his orders were	88,747

Total of Native troops - 153,627

The European troops of all ranks
and arms at the same date (ex-
cluding those sent to China and
ordered home) were - 50,309

Sir Patrick Grant, who thoroughly knows the Bengal Army, calculated that 39,600 Europeans and 54,400 Natives would be sufficient, which would be a diminution of 10,709 Europeans and 99,227 Natives. The European establishment will probably be fixed at a lower point than this ; but, according to any scale likely to be adopted for the European and Native force, the saving must be very large, and the reduction of commissariat and other subsidiary establishments should be in proportion. There is a difference of nearly four millions sterling between the expense of the military and police force of the Bengal Presidency as it stood in 1856-7 and in 1859-60.* If the same energy which has been bestowed upon devising and giving effect to new taxes had been employed in reducing and manipulating the Bengal military expenditure, the remaining sum required to extinguish the deficit of 6,500,000*l.* might easily have been made good, without any increase of revenue beyond that which was already in progress. My position has always been, that the finances might be restored by administrative arrangements only, without the three new taxes proposed by Mr. Wilson ; and my argument, therefore, assumed that the necessary measures

* Appendix to Mr. Wilson's Financial Statement, page 103 of the first series of Parliamentary Papers on this subject.

would be taken *in good earnest and at the proper time*. For instance, it is now intended to reorganize the police of all the Presidencies on the same model as the Madras police; but this should have been one of the first arrangements made, because it was a necessary preliminary to everything else that had to be done both in the civil and military departments. My argument also supposed that reductions of military force might have been freely carried out, in the absence of the attempt to impose the income, licence, and tobacco taxes. There was a policy of reduction, and there was a policy of taxation; but the two could not be safely and effectually adopted at the same time.

The cost of the military and police for the whole of British India for 1859-60, exclusive of military public works and of the home charges, was stated by Mr. Wilson at 20,204,676l.* The sum considered by the Military Finance Commissioners to be really required is ten millions for the military, and two millions for the police, which would reduce the expenditure nearly to the standard before the Mutiny. This calculation of military force supposes three millions sterling for Madras, two for Bombay, and a sum equal to both for Bengal. Three millions is too much for Madras. The people are quiet † and unwarlike, and, several generations having grown up under our rule, they are unaccustomed to the use of arms; and as the Peninsula narrows to a point, with a long seaboard, and railways crossing it in several directions, it can easily be controlled by a strong European force, with a proportion of Native auxiliaries, in the central position of Bangalore. The south of India ought to be to us what Bengal Proper has

* Financial Statement and Appendix, pages 97 and 103.

† The fanatical Moplas, who form a portion of the inhabitants of Malabar, are a limited, and, if they are properly managed, a harmless exception.

hitherto been—a secure stronghold and an overflowing treasury ; and it would have this additional advantage, that an European population is rapidly growing up on the table-lands and mountain-slopes in the interior. The Burmese Provinces have of late years been garrisoned from Madras and governed from Bengal ; and this divided responsibility has led to a degree of waste exceeding even the ordinary scale of Indian military profusion. The small European and Native force required for these eastern maritime provinces ought to be provided from Bengal.

I have assumed that the deficit for 1860–1 was, as stated by Mr. Wilson, 6,500,000/. This was, no doubt, in accordance with the estimates and accounts ; but nothing could be more fallacious than the estimates and accounts as they were then prepared. The accounts included, not only actual expenditure within the year, but also what were called “ Inefficient Balances ;” that is, unsettled claims relating to past years, which were carried on in the current accounts until they were finally audited. The estimates were framed on the average of the three preceding years’ expenditure, without any adequate allowance for changes made or intended. According to the system then in force, therefore, the estimate for 1860–1, a year of profound peace, would be based upon the war expenditure of the previous three years, the accounts of which would, again, be unduly swelled by the unsettled balances belonging to a preceding period. The correspondence in the Appendix, page 51, between the Military Finance Commissioners and the Inspector-General of Ordnance at Madras, will show that I have not over-stated the case. In the last Indian finance accounts (page 93) the military expenditure of the Bombay Presidency for 1859–60 is put at a higher figure than that for 1858–9. The fact is notoriously quite the reverse, and the only way in which the extreme incorrectness of the statement can be

explained, is by supposing that the unsettled accounts of the previous year had been carried on into 1859-60).

It will be seen from the following statement, that notwithstanding a falling off in the year of the Mutiny, the ordinary revenue was rapidly increasing :—

	1856-7.	1857-8.	1858-9.	1859-60.
	£	£	£	£
Deduct repayments -	33,378,026 74,634	31,706,776 63,509	36,060,788 95,770	37,796,632 90,424
	33,303,392	31,643,267	35,965,018	37,706,208

Additional duties had also been lately imposed on salt and upon the export of opium from Bombay, and the stamp duties had been revised in a manner calculated to make them much more productive. An income tax always diminishes the productiveness of the other taxes; and, in calculating upon a continued increase of revenue from the existing sources, I assumed that there would be no income tax, and that the improvement of those existing sources would have a large share of attention. This they were receiving in the Madras Presidency, where the land revenue had increased upwards of half a million sterling in a single year, solely in consequence of extension of cultivation, caused by the reduction of the assessment; and effectual measures had been taken for a more full collection of the salt revenue, which, owing to the great prevalence of smuggling, hardly yielded anything in some of the maritime districts.

The elasticity of Indian finance in both of its departments of income and expenditure may be illustrated by a recent instance. There has been an increase in 1859-60 of 590,000*l.* in the customs, salt and opium revenue of Bombay. The Indian Navy, which forms one of the charges of the same Presidency, is admitted to be an obsolete establishment; and, according to the lowest calculation, the saving from its abolition, after

providing for all the services performed by it, will be 400,000*l.* a year. Thus, in the smallest of the three Presidencies, there is a million sterling gained, without taking into account the reduction of military expenditure, or the increase in the other branches of revenue besides the customs, salt and opium.

In his Financial Statement of the 18th February, Mr. Wilson assumed a decrease of military charge within the year of only 1,740,000*l.** If the explanation I have furnished is correct, the reduction of military expenditure might have been carried so much beyond this, that, combined with the increase reasonably to have been expected in the existing sources of revenue, the finances would have been re-established before the end of 1861, and in the meantime the unusually large cash balance† would have been sufficient to meet the rapidly decreasing deficiency. At any rate reduction should have had the precedence of such taxes as were proposed. We should then have dealt, first, with the soldiery, and afterwards with the people, and should not have run the risk of having them both on our hands at the same time; and if, after every exertion had been made to overcome the deficiency by diminishing our expenditure, more funds had been

* Mr. Wilson's words are, "Allowing for a decrease in the military charges of 1,740,000*l.*, for which arrangements have up to this time been made, and allowing," &c. "I cannot, even with all these allowances, reduce the deficit of next year below 6,500,000*l.*" After my answer to the Financial Statement had been published, Mr. Wilson admitted, in the Legislative Council, on the 21st April, that "we may further reduce the military expenditure in the course of next year by a little over 800,000*l.*, making the entire reductions of the year upwards of 2,500,000*l.*"

† The balances in the Indian and Home Treasuries on the 30th April 1860 were stated by Mr. Wilson at nineteen millions sterling, being upwards of six millions beyond what they were on the same date in the preceding year.

required, additional taxation would have been cheerfully submitted to, because it would have been felt to be necessary. It was also to be feared that our public establishments never would be effectually revised and habits of economy established if ample funds were, in the first instance, placed at the disposal of the different Indian Governments by additional taxation. The new levies and other establishments proposed to be reduced represented a great official interest, which had deep roots in Anglo-Indian society. The vote which abolished the English income tax at the end of the French war was the immediate incentive to the long course of economy subsequently entered upon.

In expressing my belief that the finances could be restored without these new taxes, I did not mean a bare equilibrium. In a country of such prolific resources as India, an exact balance of income and expenditure must be of very short duration. What I contemplated was a surplus sufficient for every necessary improvement, including public works. There should also be enough to allow of any duty being lowered which is found to protect a particular industry at the expense of the general community of India and England. Formerly the English manufacturer was favoured to the disadvantage of the Indian. The case should not now be reversed.

The measures proposed by Mr. Wilson for the improvement of the system of estimate, account, and audit, and for the establishment of a government paper currency, had my hearty concurrence and support. As long ago as 1833 I recommended the establishment of a government paper currency in Bengal similar in all its main features to that which has now been adopted; and the proposal was renewed by me after my recent return to India (Appendix, page 39). In my evidence before the India Committee of the House of Commons in 1853, I first proposed the plan now in course of

execution for giving regularity and efficiency to Indian finance by recasting it according to the English system; and upon my appointment to the government of Madras I made early arrangements for the introduction of this system into my own Presidency, and recommended to the Governor-General its general adoption throughout British India (Appendix, page 55.)

The main feature of Mr. Wilson's Financial Statement was three new taxes; an income tax of 2 per cent. on all annual incomes from 20*l.* to 50*l.*, and of 4 per cent. on incomes above 50*l.*; a licence duty on traders of every class, graduated from two shillings to one pound, according to a specification of different trades; and a duty on home-grown tobacco. These taxes were to be coincident and cumulative, so that a person who paid income tax would also pay licence duty and tobacco tax.

An income tax has been justly described as a tax on honesty, and a bounty on and incentive to fraud. Even in England public morality is unequal to the strain. It is notorious that extensive frauds take place in the assessments under Schedule D*; that is, on trades and professions. It is supposed that the aggregate incomes in the classes rated below 1,000*l.* or 1,500*l.* a year do not come up to half their real amount, and that many thousands who should pay escape altogether. What, therefore, was to be expected from the immorality of India, among all classes, down to those who have only 20*l.* a year? I do not now allude to the loss to the revenue, nor to the inequality between the fund holders and land owners, who cannot help paying, and the

* The Commissioners of Inland Revenue remark in their Report for the year ended on the 31st March 1860, "If we are to judge from the cases which occasionally come under our notice, the amount of the evasion of the duty under Schedule D. must be very considerable."

traders, who will wholly or partially escape. These are minor evils. What was chiefly to be regarded was the corruption and oppression which would cover the land. In this country every man can take care of himself, and although he may defraud the state, he does not himself suffer from the exactions of others. In India the character which ages of misgovernment have impressed upon the people makes them an easy prey to the extortioner and the informer. The revelations of the Torture Commission under the government of my predecessor were fresh in recollection, yet it was proposed to arm the oppressor with a weapon of far greater power than had previously been at his disposal. Taxes partly of the nature of an income and licence tax had existed under the Native Governments which preceded ours, and had been systematically abolished by us, expressly on the ground of the opportunity they afforded for collusion and extortion. These taxes survived only in a portion of the Madras Presidency, and even there a pledge had been given to abolish them. The sufferings of the people, and the obstructions to trade from the exactions practised at the numerous custom-house stations in the interior, were the principal reason for the extinction of the transit duties. The substitution of a fixed annual sum for the share of the produce formerly received in payment of the land revenue was chiefly due to the same cause. There was, in short, no part of our system which was supposed to be more firmly established, or which had worked better, both for the people and ourselves, than that all the taxes should be so fixed and defined as not to furnish any scope for the prevailing infirmities of the Native character, to which allusion has been made; and the measures now proposed were a sudden and entire reversal of this approved policy.

The tobacco tax was still more open to objection. It must have been collected either by an universal excise or an universal monopoly; and as tobacco is grown in

every back garden, as cabbages are in this country, the all-pervading inquisition necessary for the enforcement of such a tax may be more easily imagined than described.

I was aware that the Governor and Council of Bombay took the same view as myself and my colleagues in the Government of Madras. How strongly Lord Elphinstone felt on the subject will be seen by the Minute soon after recorded by him on the 19th April: "I cannot reconcile it to my sense of duty," he observes, "to remain silent when new, and in this country unknown, and certainly most unpopular taxes, are about to be imposed on the people of this Presidency (as well as of the rest of India), upon grounds which, as far as I am able to judge, are wholly insufficient to justify so extensive a financial experiment."—"Would it not be better to proceed more tentatively with this new scheme of taxation? If we cannot afford to wait to see whether the reductions of our military force which are in progress, or which may hereafter be ordered, and the gradual yet rapid improvement of the existing sources of revenue, will suffice to re-establish the balance between income and expenditure, surely our circumstances are not so desperate as to compel us to take, what I hope I may be pardoned for calling, such a leap in the dark as we are told has been resolved upon."—"My objections apply not only to the taxes themselves but to their simultaneous imposition. When Lord Torrington, with the full consent of his Council, imposed the four new taxes which led to a rebellion in Ceylon, it was not so much the imposts themselves, as the wholesale manner in which they were enacted, that alarmed the people."—"Conceive a tax" (the income tax) "which requires 206 clauses, occupying 181 folio pages of print,—which is apparently to be collected by a machinery of its own, independent of the ordinary

“ revenue officers, and consisting of a host of underpaid
 “ officials, who will probably take twice as much more
 “ from the tax payers as they pay into the Treasury.”
 The full force of this Minute can, however, only be felt
 by a perusal of it. Lord Elphinstone affirmed that the
 military expenditure of the Bombay Presidency might
 be reduced to a sum which agreed with the estimate of
 the Military Finance Commissioners.

The position in which I found myself in March last
 will now be understood. I had been charged with the
 immediate care of the interests of thirty millions of Her
 Majesty's subjects, including Mysore, which had been
 recently ordered to be placed under the Madras Govern-
 ment. According to the best judgment I had been
 able to form, the proposed new taxes were unnecessary,
 and therefore unjust, and would be productive of grave
 public evils ; and I was confirmed in this view by the
 unanimous opinion of my own Councillors and of the
 Governor and Council of Bombay. The conclusion
 at which I arrived was that, whatever else might be
 uncertain, it was clearly my duty to obtain time for the
 proper consideration of the measure in India, and for a
 decision being passed upon it by Her Majesty's Govern-
 ment at home. If once these bills, in their full breadth
 and depth, became the law of the land, no intervention
 of the home authorities could avail to avert their
 injurious consequences.

A machinery had been created by Act of Parliament
 and by the Standing Orders of the Legislative Council,
 expressly for the purpose of securing a full and deliberate
 consideration of the laws proposed to be enacted for
 British India. Members were appointed to this Council
 by each Governor and Lieutenant-Governor; free public
 discussion was provided for ; and there was to be a
 delay of three months after the publication of a project
 of law in order to give time for receiving representations.

on the subject. The opportunity for full consideration desired by me was, therefore, intended by the institutions under which we were acting, and a case could hardly be conceived in which it would be more necessary than the one actually before us.

I knew from the report of the speech of the Secretary of State for India in the recent debate on Mr. Vansittart's motion on Indian finance, that Her Majesty's Government did not contemplate, and apparently would not approve of such wholesale uniform taxation as had been proposed by the President in Council.* This taxation was also incompatible with that early and effectual reduction of the army which had been imperatively enjoined by Her Majesty's Government. Such a reduction could not with any safety have been attempted simultaneously with the imposition of three such taxes.

Under these circumstances, the Madras Government on the 16th of March communicated its opinion to

* The following is an extract from the speech:—

“A licensing tax on trades and professions, opposed as it may seem to our notions, is not only a feasible but a popular way of raising money in India. Sir H. Montgomery has actually raised a very considerable sum in the North West Provinces in this way; but in Calcutta and in Bengal, where there are numbers of English residents, an income tax is much more suited to their notions, and, indeed, is much more applicable to fund holders, office holders, and large proprietors of land; but if this tax were applied to the ryots of Madras, not a soul from one end of the Presidency to the other would come under its operation.”——“But in one shape or another additional taxation is required; and I hope that, having regard to the circumstances of the different provinces—for I do not think it necessary that one uniform tax should prevail throughout India—a sufficient revenue may be raised, so that by bringing our expenditure within reasonable limits we may be able to look forward to a period of prosperity.”—*Debate on Mr. Vansittart's Motion on the Finances of India, 9th Feb. 1860.*

the President in Council, that “the interests of the
 “ public service indispensably require that the usual
 “ period of three months for the consideration of
 “ projects of law, and for receiving representations
 “ on the subject of them, should not be shortened
 “ in the case of the important and critical plan of
 “ finance contained in the licence and income tax
 “ bills.” The reply was, a rebuke for having sent
 this message by open telegraph, and an announcement
 that the Government of India had determined to impose
 the three taxes on its own responsibility, the Madras
 Government being merely expected to give effect to
 this decision, and to put down any opposition that might
 be offered ; and that it was intended to move the Legis-
 lative Council to suspend the Standing Orders, and to
 refer the bills to committees, “ with instructions to
 “ report in one month, in order that they may then be
 “ finally disposed of by the Legislative Council.”

There now remained only one mode of obtaining the
 required delay, which was to make the objections of
 the Madras Government public. This, I knew, would
 render a reference home necessary ; and although
 the consequences to me might be serious, measures
 deeply affecting the people committed to my charge,
 and involving the interests and honour of the whole
 empire, would not be passed with a precipitation totally
 inconsistent with real deliberation. I have never heard
 any other means suggested by which the same end
 could have been attained. Only a few weeks remained ;
 and unless the President in Council could be induced
 to pause, the bills would have become law before it
 would have been possible for the Home Government to
 interfere.

On the 26th of March the Madras Government wrote
 to the President in Council as follows :—

“ According to our belief, this is a more serious crisis
 “ than the Mutiny itself. There is only one way of

“ dealing with a Mutiny, which is to put it down ; but
 “ here a choice has to be made between two opposite
 “ lines of policy pregnant with the most portentous
 “ results.

“ If you should not be persuaded by our arguments,
 “ we trust that you will at any rate concede so much
 “ to the responsible position of the Government charged
 “ by Her Majesty with the administration and the pre-
 “ servation of tranquillity in the south of India, as not
 “ to proceed with the three proposed new Taxes, so far
 “ as this Presidency is concerned, until sufficient time
 “ has elapsed to allow of Her Majesty’s Government
 “ expressing an opinion upon our representations.

“ Three months are allowed, according to the con-
 “ stitution of the present Anglo-Indian Legislature, for
 “ the publication, previously to the commencement of
 “ actual legislation, even of an ordinary project of law
 “ affecting any part of the British Indian Territories
 “ not subject to the Presidency of Bengal ; and it is
 “ right, before measures are practically entered upon
 “ by which the policy of an Empire would be changed,
 “ that all who are responsible for the wellbeing of the
 “ Empire should be consulted.

“ We press this application with the more confidence,
 “ because it is evident from statements recently made
 “ by the Secretary of State for India in the debate on
 “ Mr. Vansittart’s motion on Indian finance, that Her
 “ Majesty’s Government are aware that it may be
 “ necessary to make different financial arrangements
 “ in reference to the great territorial divisions of the
 “ Anglo-Indian Empire according to their respective
 “ circumstances, and because the proposed new taxation
 “ would be totally incompatible with the reduction of
 “ the Native Army which has been recently commanded
 “ by Her Majesty’s Government.”

No direct reply was returned to this letter, but on the

14th of April Mr. Wilson proposed in the Legislative Council, that the month originally intended to have been allowed to the Select Committee to report upon the income and licence tax bills should be reduced to a fortnight. The members for Madras and Bombay objected, and the motion ultimately put and carried was that the Committee should be instructed to present their Report within three weeks.

A circumstance which occurred before it was known at Calcutta, that the Madras Minutes had been published, showed how completely I was justified in considering that the ordinary resources provided by our official system to prevent hasty legislation had been exhausted. Lord Dalhousie, in a letter dated the 25th of August 1854, had pointed out that "the most convenient course will undoubtedly be, that each local Government should correspond on legislative business with the member of the Legislative Council nominated by the Governor or Lieutenant-Governor of such Government;" and it had become an established practice that, although a representative member was not required to give up his own opinion to that of his Government, he was expected on all important questions to bring their sentiments fully and fairly before the Council.* When the bill, which afterwards became Act XXV. of 1855, for establishing a court at Ootacamund, was

* In Sir Charles Wood's letter to the Governor General in Council, dated the 24th of July last, the two propositions upon which this practice is based are clearly stated. On the one hand, the members chosen by the Governments of Madras and Bombay are not "in the position of delegates from the respective Governments bound to prosecute their wishes and to obey their instructions;" and on the other, "of course they will attach due weight to the opinions and wishes of their respective Governments, and will set their views before the Council."

under discussion, Mr. D. Elliott, although unable to concur with the opinions of the Madras Government as to the extent of jurisdiction required for the court, still laid the whole question, with the letters of his Government, before the Council. Again, in the more recent instance of the Madras Police Act, Mr. Forbes carried through the measure, although opposed to his own judgment. Acting upon this practice, the Madras Government furnished their representative member with a copy of their Minutes on this subject, and instructed him to communicate their sentiments to the Legislative Council, and advocate and illustrate them to the utmost of his power, and also to lay the papers on the table of the Council, and move that they be printed. Upon the 3d of April the President in Council sent for our member, and ordered him not to make the papers in any way public, and, as a necessary consequence, not to advocate the cause of his Government, for it was only by freely using the contents of these papers that he could have done so in an effective manner. A barrister deprived of his brief could not have been more helpless than this gentleman would have been without these papers, as an exponent of the opinions of the Madras Government.

If the member appointed by the Government of Madras had been permitted to use these papers, according to the ordinary practice of the Legislative Council, all the more important parts of them would have been published to the world as part of his statement to the Council, and my publication of them would have anticipated only by a few days that which must have taken place in the usual course. The proceedings of the Legislative Council are published every month "by the authority of the Council," besides being reported daily in the newspapers.

It seems probable from a letter from the President in

Council, dated the 7th April*, that our opinions would have been withheld even from the members of the Legislative Council, if a partial circulation of them had not already taken place through our representative. At any rate, it was the clearly expressed intention of the President in Council that the fact of the disapproval of the new taxes by the Government of Madras should not be made public; and, as the circumstances were exactly similar, it must be presumed that the adverse opinion of the Government of Bombay would have been similarly suppressed. From this it would have followed, that these measures would have been passed with an appearance of general unanimity, after the cordial invitation to the freest public discussion given in Mr. Wilson's Financial Statement, while in fact the authorities next in rank and responsibility to the Governor General in Council had recorded opinions entirely opposed to the change. Not only were the Governors of Madras and Bombay to be compelled to carry into effect a policy of which they disapproved, but they were forbidden to express their disapproval, and were to be made to appear to approve what they most strongly condemned. A Legislative Council had been created, in which the Governments of Madras and Bombay were represented, and in which the discussion was declared to be free. What is the inference, if discussion is free, and those who discuss are unanimous in the opinions they express,

* "In order, however, that you should not have any ground to complain of the suppression of your views from the individual members of the Legislative Council, and especially as a partial circulation of them had already taken place before the circumstance was brought to our knowledge, we have decided that the documents shall be submitted to each member, in confidence, relying upon their discretion and on their ability to give due weight to the facts and arguments brought forward, without making public the fact that your Government has assumed a position hostile to any measure of fresh taxation."

without a voice being raised in dissent? Clearly that all are of one mind. The fact was that the free discussion was to have been only on one side ; that is, it was to have been in appearance only. This was prevented by my publication of the Madras Minutes.

The heaviest charge which has been made against me is that this step was taken with a knowledge that it would excite resistance to the measures of the Government of India on the part of the people of India. I was persuaded that this would not be the case. The Natives live in a world of their own ; and they are always more affected by what we do than by what we say. The actual demand of the tax-gatherer may be an exciting cause, but the preliminary general discussion is little regarded. None of the bad consequences predicted from the publication of Lord Ellenborough's despatch on the proclamation declaring the confiscation of all the lands of Oude were realized. What would have taken place if these three taxes had been passed in their original form at the early date intended cannot now be known. What actually took place was, that the exertion made on behalf of Indian interests, and the important modifications which followed, had a tranquillising, reassuring effect, although so great a change cannot be expected to be made without considerable friction.

The publication of the protest of the Madras Government had the effect intended by it, of postponing the passing of the tax bills until the opinion of the Home Government could be obtained upon them. Lord Canning wrote to Sir Charles Wood on the 19th of April, " It is very necessary that the Government of India should be in possession of your view of the question at an early date. I do not think it advisable that the proceedings of the Legislative Council should meanwhile be arrested ; but care will be taken that

“ the measures shall not pass into law, and thereby “ anticipate your decision.” Time was thus obtained for a mature consideration of the subject in India, and a real public discussion was secured. By the middle of August the Government measure had been entirely changed. The duty on home-grown tobacco had been dropped, and the dealer in tobacco had been included with the other trades in the licence bill. The licence tax had been converted into a supplement to the income tax, by confining it to those persons who are not liable to income tax. The three taxes had, therefore, been fused into one, and there was to be no double taxation. The profits of the holders of estates not permanently settled were to be estimated at one third instead of one half of the land tax paid by them ; and the European and Native Armies were to be conciliated by a donative in the shape of an exemption from income tax in favour of all military persons whose emoluments did not exceed those of a captain in the line. However obvious the objections may be to this last-mentioned arrangement, and with whatever clearness it may indicate the manner in which the measure was expected to be regarded by the general population, the tax could not safely have been imposed on any other condition. The agency of the ordinary revenue officers has been substituted for the special machinery proposed to be set up by the original bill ; and those who possess in the highest degree the confidence of the Native community have been selected to make the assessments. Lastly, extremely indulgent instructions have been issued regarding the mode in which the income tax is to be assessed and collected ; and the inquisition into the private affairs of individuals is to be confined within the narrowest possible limits. The revenue will suffer from this relaxation, and the inequality between classes and individuals will be

aggravated; but the tax has been made as little oppressive and unpopular as possible. The only one of the three taxes which has yet become law is the income tax, modified as above described. It remains to be seen what will be done with the licence tax, including the débris of the tobacco tax. I acknowledge with pleasure the satisfactory changes which have been made; and believing, as I do, that the extreme nature of the case called for a strong remedy, and that the only possible remedy was the one actually applied, I cheerfully accept the consequences to myself, however mortifying and injurious they may in some respects have been.

Her Majesty's Government, in a manner very grateful to my feelings, connected with the order for my recall a second letter (Appendix, page 57) expressing their approbation of my general administration of the Government of Madras; and I received so many proofs of the confidence and goodwill of all classes of the community, European and Native, that I may without presumption say that this approval was ratified by the Presidency which had been entrusted to my charge. The explanation I have now furnished will, I hope, justify my publication of the Madras Minutes. All I desire is to be judged according to the facts, with due regard to the circumstances in which I was placed, and the object I had in view.

APPENDIX.

No. 1.

MINUTE by the Honourable the President.

THE objections to the scheme for a tax upon tobacco are so grave and decisive that it would be a waste of time to discuss them.

An increase in the salt tax is, no doubt, open to an argument; but I am confident that, on every ground of justice and policy (under which last head I include strictly financial results), it would not be advisable to increase this tax.

The salt tax is of the nature of a poll tax; and it is already so heavy, that the labouring population, who form the bulk of the consumers, and consequently of the tax-payers, are unable to provide a sufficient supply for themselves and their families.

With the increasing prosperity of the south of India, the consumption of salt, and consequently the productiveness of the tax, is increasing; which increase would receive a severe check if the tax were raised.

So entirely does the productiveness of this tax depend upon the consumption of salt extending to the great body of the people, that I agree with Mr. Elliot and Mr. Morehead, that the best financial arrangement would be to lower the tax. After the great increase of cultivation which has been the result of lowering our formerly excessive land tax, it can never again be said that Anglo-Indian revenue is not capable of increase by that process of increasing consumption by diminishing the rate of taxation, which has led to such happy financial and social consequences in England.

There is, however, another class of measures to which I shall give my attention as soon as the pressure of other business permits, which is to increase the productiveness of the salt tax at the existing rates, partly by facilitating the circulation of salt in the interior by the establishment of dépôts in connexion with the railway, and in other ways, and partly by a more rigid enforcement of fidelity and exactness in the collection of the tax. This important branch of revenue has not received the attention which it deserves, and I am convinced that it might be largely increased, without any increase of the existing rates, if two or three of the ablest and most experienced European and native officers of this Government were directed to give their minds to it.

Moreover, I am convinced, from a long and large experience of Indian affairs, including a close observation of what has taken place since the commencement of the great catastrophe in Upper India, that the present financial exigency might be overcome in two or three years, by reduction of expenditure combined with

various measures of good administration. Instead, therefore, of exhausting our ingenuity in devising new taxes and raising new loans, I recommend that we apply ourselves in serious sober earnest to reducing expenditure, many large items of which are capable of being immediately acted upon, and to rendering the large balances in the treasuries more available. My Minute of the 28th ultimo shows what important financial results may be obtained, even from an ordinary attention to the military expenditure of this Presidency, in which the extra establishments consequent upon the war have not been carried to any great extent; and it may hence be inferred what might be accomplished by a detailed manipulation of the expenditure of the whole of India, including the vast provisional establishments in the north.

We ought not to increase the burdens of our Indian fellow subjects until it has been clearly ascertained that the object cannot be effected by the primary and more legitimate mode of reduction of expenditure. This is especially due to the people of the south of India, who, so far from having added to our embarrassments and losses by rising against us, have given us noble support, and have contributed throughout an increasing amount of revenue. The increase in the collections in this Presidency in the first 10 months of the current revenue year, on a total revenue of only 4,86,63,248 rupees, has been 54,65,705 rupees, of which 48,48,672 is from the land tax, and 3,11,399 rupees from salt. The gulf of northern expenditure ought to be speedily fathomed in justice to the rest of India, else our taxation will be indefinitely increased, and our most indispensable public works, military as well as civil, will continue to be postponed or rejected.

The inhabitants of this Presidency have already been hardly dealt with by the retention to this day of that most objectionable system of native taxation known by the name of muhtarafa, although it was to have been abolished a quarter of a century ago with the transit and town duties of Upper India, and it is believed in England that it was abolished long ago, and credit has been repeatedly taken by members of the Home Government for its abolition. With the exception of a small portion, which consists of a house tax, and might be retained for municipal purposes in towns which undertake to tax themselves for objects of health and recreation, this tax takes such a disproportionate sum from the people compared with the amount paid to the Government, and presses so heavily on the springs of industry by mulcting the poorest of the people and exercising an inquisitorial interference with business of every kind, that its abolition, combined with the full collection of the salt tax and the equalisation and fixation of the land tax, would soon be felt in a much larger increase in the other sources of taxation.

(Signed) C. E. TREVELYAN.

10th June 1859.

No. 2.

MINUTE by the Honourable the President.

IN the letter from the Secretary to the Government of India, dated the 20th ultimo, we are asked for a fuller expression of the views of the Madras Government in reference to the "reduction of expenditure combined with various measures of good administration," which, it was suggested in my Minute dated the 10th ultimo, might render a resort to further increased taxation unnecessary.

Experience warrants the belief, that with proper management, the finances of India may be rapidly restored to a satisfactory state. It has been done twice in my own time. The financial embarrassment consequent upon the Pindara and Nepal wars, was so completely retrieved during the early part of Lord Amherst's government, that it was seriously proposed to employ a portion of the surplus in paying the private debts of the civil servants. This plethora was followed by another depletion, caused by the first Burmese war; and this was relieved by the wise and vigorous administration of Lord William Bentinck. The financial prosperity in the latter part of Lord William Bentinck's and the first part of Lord Auckland's administration, was brought to a close by the Affghan and Seikh wars.

It is not true that the finances of India are, on the whole, unelastic. The revenue is no doubt so, in one point of view, because the people are poor, and because, not being represented in the Government, nor having any effectual confidence in it, they habitually take refuge in passive resistance as their only protection against new and indefinite taxation. It was by acting upon the expenditure, that the finances were restored in Lord Amherst's and Lord William Bentinck's time. There was a large remission of impolitic taxation by the abolition of the transit and town duties; but I do not recollect a single new tax having been imposed.

Circumstances are now more favourable for the restoration of our finances than they were on the two occasions above adverted to. Large independent native armies were then maintained at Gwalior, in Oude, and in the Punjaub; and we had to keep up a large Sepoy army to counterbalance them. Those independent armies no longer exist, and most of the revenues which supported them, besides other large annexations, have been added to our exchequer. Formerly, with the revenue of rather more than half of India, we had to provide for the military protection of the whole of India, under conditions which, for the reason above stated, were peculiarly burdensome; now, with two-thirds of the revenue of India, we are left to choose our own method of military administration. The Sepoy army of Upper India, which continued the old scale of expenditure after the occasion for it had ceased, has dissolved itself. Both in our foreign and domestic relations we are now our own masters. India is at our disposal as it never was before, and we ought to do our utmost to profit by it before the opportunity has passed.

In the present crisis of our affairs, the full value of this advantage cannot be too clearly understood. One of the earliest observations made of the people of India was, that the fighting was done by a separate caste, and that everybody else followed his ordinary occupation. This holds good to this day. The people of India are, in general, extremely docile and easily governed. There are particular castes or classes among them, who, although they usually follow agriculture and other peaceable pursuits, are soldiers by hereditary profession. The Rajputs and Brahmins who composed the late Bengal army gave us no molestation while they were cultivating their ancestral acres in Oude or Behar. After the fierce struggle which ended in the subjugation of the Punjaub, the Seikh soldiery were rapidly absorbed into the body of the people; and it was only after we had called them out, and given them a new military organization, that they again became a cause of anxiety to us. The plain inference is, that we ought not to evoke spirits which we may find it difficult to lay. Our chief danger is from our native army itself. Our Mahomedan predecessors acted upon this principle. They maintained a moderate force composed chiefly of Mahomedans, and the result was that there was always a surplus in the Treasury. Every Hindu state acts upon it. The head of the state is surrounded by a few hundred or a few thousand, as the case may be, of his own tribe, while the rest of the people quietly do their own business in their respective municipalities. Hence the normal condition of native Indian states has been that they have had a surplus revenue, which has been systematically laid up against the time of need.

The true remedy, therefore, in every point of view, political as well as financial, is to reduce the auxiliary native force which has been raised as a set-off against our late Sepoy army. It was hastily called forth from the body of the people, in numerous cases by local officers acting upon their own discretion, and it can as easily be returned to it. This has been done on every former occasion. The large levies raised by Lord Lake in Upper India in the first Mahratta war, were disbanded by Lord Cornwallis. The same thing took place in Lord Hastings' and Lord Amherst's time after the second Mahratta war. As Indian financial difficulties are caused by the enormous levies which the nature of Indian warfare demands, so those difficulties are relieved by their disbandment. By adopting this course, important immediate results are obtained. There is no danger to be apprehended; for irregular troops raised to meet a sudden emergency do not expect to be permanently maintained, and can easily resume occupations which they have only recently laid down. The greater number gladly return to their families with the donation of so many months' pay which it is customary to give. The only danger is in keeping them embodied when there is no longer active employment for them. The prevailing high prices of agricultural produce, of which the withdrawal of so large a portion of the youth of the country from productive labour is one of the chief causes, makes the present time particularly favourable for such an operation.

In Madras, the ancient military organization, the parent stem from which the withered Bengal branch sprang, still occupies the ground. Yet I showed, in my minute of the 28th of May, that large savings of military expenditure were in progress in the south of India; and that in two or three years it might be reduced below the ante-mutiny standard. In Northern India there are much greater advantages for dealing with the subject. What we have there is a "*rudis indigestaque moles*," which, by proper manipulation, can be speedily contracted to a vessel of rare excellence.

These results can, however, be obtained only by "good administration." The first and main point of all, is to have a clear plan blocked out for the reorganization of our military system in Upper India. I long ago expressed my opinion on this subject in a series of letters, which I wrote at great personal sacrifice, and published in England; and I have since adverted to different parts of the subject in my evidence before the Indian Army Commission, and in some of the minutes which I have recorded since I returned to India. The Commander-in-Chief of this Presidency has worked out, in a series of minutes and reports, the practical application of a plan which, in all its main features, is similar to mine.

The key to the re-organization of our Indian military system is the reformation of the existing police on the English and Irish constabulary principle. Until this is done, the army cannot be concentrated and reduced to the proportions really required as a reserve in support of the civil power; neither can trustworthy vigilant aid be obtained for the full collection of the salt tax, and the sayer, or excise upon spirituous liquours; above all until this is done, we cannot give our Indian fellow-subjects that protection of person and property, without which it is impossible they can pursue their avocations with confidence and spirit, to the augmentation of the wealth of the community, and with it, through the medium of all the taxes, of the public revenue. A complete, and, in my opinion, a very satisfactory plan for the re-organization of the police of the Madras Presidency, has been before the Legislative Council since February last, and I will not attempt to estimate the pecuniary loss to the state from the opposition it has met with there. It was not "police corps" which it was proposed to establish. These are neither police nor regular army; and while they cause a heavy expenditure, they are a source of disquietude both to the Government and people. It was a *bonâ fide* recast of the actually existing police, on the English and Irish principle, superintended, in all its details, by European officers, but placed entirely at the disposal of the magistrates.

In order to show the immediate effect of good administration in diminishing the expenditure and increasing the revenue, it would be necessary to go the round of every department, and I must, therefore, confine myself to a few more instances. In the department of Public Works, a comparatively small establishment is employed to conduct a large expenditure, and the nature of that expenditure is such, that it is extremely susceptible of being enlarged or contracted accordingly as it is vigilantly controlled, or the reverse. One good practical illustration is worth a hundred

arguments, and I, therefore, request that reference may be made to the recent proceedings on the court-martial of Captain Keighly, an officer of the Madras infantry, who was employed under the Supreme Government as engineer in charge of the public works at Rangoon. It will there be seen that, although extensive works connected with the formation of the new station, were in progress, there was practically no control; that Captain Keighly and his subordinates drew upon the local treasury for any sums of money they pleased; and that when, at last, he was made to answer for his expenditure, he burnt his accounts. The Madras Railway has, for several years, been a heavy drain upon the public finances, and so far from creating new traffic, it has not even absorbed the whole of that which already existed. Both the Madras and Supreme Governments have repeatedly recorded their opinion, that this was owing to the fares being fixed at a higher rate than the natives were able to pay; yet these fares remain unaltered. The demand for small coin to supply the want created by the rapidly developing industry of the south of India, is extremely great, and labour is becoming every day more scarce and valuable; yet the coining at the Madras mint is still done by hand. Three days ago 14 persons were weighing copper money there, on behalf of the general treasury, in scales holding each about a handful. To substitute for all these two or three men with a large pair of scales, or to count and weigh the pieces by the cheap and unerring machinery in use in the English and French mints, may seem a small reform; yet as the public expenditure is only an aggregate of details, it is by such reforms as this, carried through all the public establishments, that a sound financial condition is to be attained. There is not even an annual revision of the public establishments, similar to that which takes places at home in connexion with the estimates; the consequence of which is, that expenditure is often continued long after the circumstances which originally occasioned it have ceased; and when it is at last stopped, it is owing to accident, or to an overwhelming financial pressure like that which at present exists.

Good administration is as effective in increasing the revenue, without adding to the burdens of the people, as in diminishing the expenditure. In my Minute of the 10th ultimo, I stated that there had been an increase in this presidency of 54,65,705 rupees, in the first 10 months of the current year, on an annual revenue of 4,86,63,248 rupees; and that this was owing to the reduction of our formerly excessive land tax, whereby the landowners have been encouraged to bring new lands into cultivation. The returns of another month have since been received, and the increase on the eleven months is 55,34,923 rupees, of which only a small sum is due to the additional custom duties.

I also stated in my Minutes dated the 10th and 13th ultimo, that the salt tax in this Presidency, at its existing rate, might by "good administration" be much more fully collected than it is at present. In the large district of Ganjam, for instance, there is scarcely any legal consumption; and vast provinces in the interior, including the Nagpore and Hyderabad countries, are reduced to the necessity of using miserable substitutes for this first-rate

necessary of life. This Government has already taken measures for enforcing the collection of the tax in its maritime provinces, and for furnishing supplies of salt (subject, of course, to our tax) to the population of the interior of the continent by the Godavery, the navigation of which is being opened.

I have before me a list of irrigation works which were suspended by what is called "the restrictive order," issued by the Supreme Government in consequence of the financial pressure caused by the mutiny, and if I were permitted to make a selection from them for immediate execution, it would be like sowing gold. In this climate water is better than land, for it increases the productiveness of land sixfold.

Lord Stanley has lately called the attention of all the Indian governments to the financial and social importance of the principle of permitting the redemption of the land tax. My opinion is decidedly adverse to any operation, in the present state of British India, which would weaken this main prop of our revenue, and by placing at the disposal of the Indian governments large anticipated resources, would diminish the pressure upon them to reduce expenditure; but under certain circumstances, and within certain limits, the principle of Lord Stanley's despatch may be acted upon with great public benefit. I have already applied it to the whole of the *Inám* lands of this Presidency; and it may be extensively acted upon by the sale of the fee-simple of building land in towns, and of waste lands suited for the cultivation of coffee and other valuable products by Europeans. This would bring large sums at once into the Treasury, and would also lay a foundation for still greater increase to the revenue hereafter, in consequence of the rapid development which such a course of policy could not fail to give to the resources of the country.

In my Minute dated the 10th ultimo, I alluded to "rendering the large balances in the treasuries more available." This is a resource of great importance, whether it be regarded in its immediate effect or in the indirect influence it would have in facilitating the business of the country. In England, with a revenue of 60 or 70 millions sterling, the public balances do not ordinarily exceed six. In India, with a revenue of 30 millions, they amount to 12. This costly and embarrassing state of things is chiefly caused by our confining ourselves to the use of such a cumbrous medium of exchange as silver. One remedy is the substitution of a gold standard with a subsidiary silver currency, according to the arrangement which has succeeded so well in England. Another, is the establishment of a government note circulation, within proper limits and under proper regulations. This last is more effectual than the other in the proportion in which paper is more easily and safely remitted than gold, and it has also the great recommendation of not disturbing the existing measure of value. I would propose that the issue should be limited by law to three millions sterling, that it should be composed of government notes of different denominations, but none of them less than 10 rupees; and that these notes should be declared a legal tender, and should be receivable as revenue in all British treasuries, and be also payable

in rupees at the general treasuries of Calcutta, Madras, Bombay, Sind, the Punjab, and Agra. Paper money to the amount of 14 millions sterling is kept out in England without the deposit of an equivalent amount of bullion, because it has been found by experience that the note circulation can never be reduced to so low point as that; and as three millions sterling would not be more than 10 per cent. of our annual Indian revenue, or more than two per cent. of the amount of coin held in the country, we might with safety go that length. As the balances in the general treasuries would not have to be increased, the amount of the note circulation would be equivalent to a loan to the Government without interest. A still greater financial advantage would be derived from the new facilities of remittance which would be afforded. To render the pecuniary resources of the State available at the time and place required, might then be as closely studied in India as in England, with the result that the demands upon the public would be provided for by means of smaller balances than before. Private transactions of all kinds would be greatly facilitated, and the paper would be in permanent increasing demand.

I must not conclude without briefly adverting to that measure of "good administration," which is the security for all the others. To select persons for every employment without reference to any consideration, except that of superior fitness, is so important a part of good government, that it may almost be said to be the whole. If it were for the future clearly understood that this would be the sole test, except where some positive rule interfered, a stimulus of the highest possible value would be given to the entire public service. The increased attention, which has of late years been paid in England to this point, has infused new life into our home establishment.

I hope I have now sufficiently explained, in obedience to the demand of the Supreme Government, in what manner immediate financial results might be obtained by "reduction of expenditure," "combined with measures of good administration." These measures, properly carried out, would soon restore the finances without increased taxation, and would give a clear increasing annual surplus to be employed in public works.

(Signed) C. E. TREVELYAN.

Madras, 11th July 1859

No. 3.

MINUTE by the Honourable the President.

THE letter from the Government of India, dated the 14th of September last, requesting us to take steps to prevent open opposition in this Presidency to the law proposed to be passed for licensing trades and professions,* places us under a serious responsibility.

* This was to have been a graduated tax on the principle of an income-tax.

In obedience to the previous letter, dated the 7th of September, we called upon fifteen civil officers, selected on account of their "ability and judgment, and knowledge of the native character," to offer their opinions on the Bill "fully" and "freely;" and we have the result before us in a series of letters which are as remarkable for their clear and condensed style, as for the weighty opinions they express.

The point of primary importance, is the nature and degree of the opposition which the tax is likely to excite. Nearly all the officers who have been consulted speak of it as certain to be extremely unpopular. They allude to the "distrust," "dissatisfaction," "discontent," "uneasiness," "alarm," "disaffection," which will result from it; and some of them use language which cannot be mistaken.

Mr. Grant, the Collector and Magistrate of Malabar, says: "With reference to Malabar, the Bill will be felt through the length and breadth of the land, especially by the Moplah population, an able and energetic race, deeply engaged in trade, and whose well-known fanatical spirit has of late been repressed, by energetic and severe measures of Government, aided to some extent by prosperity in trade, which has engaged the attention of many restless spirits."

Mr. Arthur Hall, whose experience and ability place him among the foremost officers of this Presidency, observes: "An attempt to introduce it into the provinces would, I apprehend, be met by serious opposition on the part of the people, especially in a district like Canara, where, hitherto, the inhabitants have successfully resisted the imposition of any new tax. Every interference by the authorities with the people of that district has always been resisted by them; and every attempt to gain accurate information about their affairs and circumstances has been baffled by their opposition. An improvement has certainly taken place since the district has been opened out by the roads, and the revenue authorities have gone more among the people than they used formerly to do; but still, from the experience I gained during a service of eight years in that district, I am convinced that it would be very dangerous to attempt to introduce into it the provisions of the proposed Bill. It would lead, in all likelihood, either to combined passive resistance, as was the case when an unusual tax was ordered to be levied some years ago, or else to open opposition."

Mr. Hall says, in reference to another district: "From what I have seen of the people of South Arcot, I am inclined to think that even here the provisions of the Bill would not be easily carried out. On several occasions the people have resisted by open force what they have supposed to be innovations upon their rights; and there is a spirit of resistance among them, ready to show itself on every occasion when a change in taxation is attempted which they do not happen to like."

Mr. William Robinson, the Commissioner of Mufassal Police, remarks: "Our political safety in India depends, in no small degree, on our taking no measures that tend to unite the now

“ sufficiently dislocated interests, feelings, and objects of its various
 “ populations. They have naturally a common interest against
 “ conquerors, however just. Happily, they but partially know it,
 “ and they have few points of union; why, then, give the Mahájan
 “ of the North West Provinces, the Pandit, &c., of Benares, the
 “ Sáhukár of Bombay, the Brahmin money-lender of Tanjore, and
 “ the Moplah trader of Malabar, a common war-cry, by sudden,
 “ simultaneous, general legislation of an unpopular character?”

The unanimity with which these officers have declared that the measure would be highly obnoxious to the great body of our native fellow subjects in the south of India is fully explained in their letters.

It is an old observation, that, while the people of this country are extremely patient under long-established grievances, they are always ready to rise against any new imposition. This feeling is different from the popular opposition to additional taxation in England. A wide gulf has always been fixed between the people of India and their rulers. The native Governments were habitually mistrusted by their subjects, who had no confidence in their intentions, and no means of influencing them, except by a resort to arms, or by passive resistance of a combined and organized kind, which is one of the institutions of the country.* Unfortunately, small progress has been made, under our régime, in bringing about the desired approximation. In some respects it is worse than it was. Owing to the extraordinary difference between us and the natives of India, in colour, language, religion, in almost everything, in short, which distinguishes man from man, there is a greater absence of natural sympathy than there was before; the natives dread our superior strength, which seems to them to place us above responsibility, which they were generally able to exact from their own Governments; and, lastly, we have not managed the finances of the country in a way to command their confidence. The observations of Mr. Sim, Secretary to the Board of Revenue, are deserving of notice on this point: “ The proposed tax is manifestly
 “ very unpopular. Taxation in any shape is, doubtless, unwelcome
 “ at all times; but this kind of opposition ceases where the neces-
 “ sity for money is made evident, and the mode of raising it com-
 “ mends itself to the public as the best under the circumstances.
 “ The opposition to the present Bill seems to be characterized by
 “ an unfortunate want of confidence in the measures proposed to
 “ extricate the State from its difficulties, and by a general feeling
 “ that the particular measures contemplated in the Bill are most
 “ objectionable. I do not think it politic that the general feeling
 “ against this Bill should be disregarded, especially as, in my
 “ judgment, its practical working will greatly increase this dissatis-
 “ faction.”

One feature of the Bill is eminently calculated to heighten this

* What took place at Benares in 1813 and at Bareilly in 1815, in reference to the introduction of a house tax, may with advantage be referred to on the present occasion. A full account will be found in Wilson's History, Vol. vii. pp. 466-469, and Vol. viii. pp. 120-128.

distrust. The objection made in England to the inquisitorial nature of an income tax, is, that it exposes the state of a man's affairs to his rivals; but nobody cares about the Government, as such, knowing what his position is. In this country the last objection would be the greatest. To require persons to declare the amount of their income is a new principle in Indian taxation; and, as observed by Mr. Grant, "The natives will view it with great distrust, as an inquisitorial measure, adopted with a view to further taxation, on Government becoming fully acquainted with the true state of their affairs."

Mr. E. Maltby, Member of the Board of Revenue and Provisional Member of Council, points out another circumstance, which "will render the people of this Presidency less willing to bear with temper the introduction of the proposed taxation;" that is, the strong feeling that, in justice, the guilty portion of the empire only should be taxed to meet the expenses entailed by the mutiny and rebellion, which, it is well understood, have led to the present Bill." Mr. T. Clarke, Collector of Madura, reports: "The tax is very unpopular. The natives here feel and assert that the necessity for it has been created by misconduct in which they had no share; and that, while rebels and traitors have in many instances profited by anarchy, they have contributed men and means to restore order and quiet, and that, therefore, they should not be called on to share in bearing the present burthen." Mr. W. Robinson also observes: "This feeling (of 'general dissatisfaction') will be stronger as the loyal are now to be called on to contribute towards deficiencies which have arisen from the disaffection of people with whom they have little sympathy." Splendid rewards have lately been bestowed upon natives whose services during the rebellion are not to be compared with those rendered by this Presidency. No acknowledgment has yet been made of the support we received, in our hour of need, from the army and people of the south of India; and the first public notice of the rebellion in its bearing upon the interests of the south would be this novel, special taxation.

We can hardly expect the natives to submit to a measure which has "been so generally condemned by ourselves;"* and they will be encouraged in their opposition by the knowledge that "the sympathies of all classes of Europeans will run parallel with their own."† They would be confirmed by this in the belief that they had right on their side. The result would be, that all would be united "in one common bond of antagonism," which, "in the present state of feeling in India," would not be "political."†

This tax would bring the Government into direct collision with every petty trader, shopkeeper, and artificer in British India whose net profits exceeded $5\frac{1}{2}$ rupees a month, or 66 rupees, or 6*l.* 12*s.* a year.

The officers who have been consulted insist, with one accord, upon the frightful means of extortion which the tax would place in

* Mr. J. D. Robinson.

† Mr. Grant.

the hands of subordinate native officers. A few specimens will suffice :—

“Independently of the dislike which persons engaged in trade or professional occupations would have to be liable at any time to produce their books and accounts, the native community would feel that they were continually exposed to accusations of having given in incorrect returns, on the part of ill-wishers or informers who sought to extort money from their fears. The alarm thus excited would be increased by the severity of the penalties which might be imposed on them. These penalties might entail absolute ruin; and although, possibly, imposed on erroneous grounds, no appeal could be made.”—Mr. E. Maltby.

“It is comparatively easy to ascertain a man’s position, and the extent of his dealings, but where a large majority of the taxpayers keep no books, and are themselves unable, perhaps, even to read, it will be impossible to determine the amount of their annual net profits.”—Mr. Fisher, Collector of Canara.

“No amount of inquisitional powers will enable the revenue officers to assess the tax from actual knowledge of the circumstances of the contributors; for the variable gains of professions and trades are not always clearly known to the persons most interested; much less can they be estimated with any approach to fairness by the collector.”—Mr. Clarke.

“I deprecate the stringency of Section XII., which declares, that a person knowingly giving false returns of profits is liable to the penalties provided for perjury, because this provision necessarily vests the collecting officers with immense powers of oppression, in regard to a question which admits only of vague specification.”—Mr. G. N. Taylor, Inám Commissioner.

“To ascertain the income of every trader whose net profits exceed 6½ 12s. per annum, will, of itself, be a work of such magnitude, that it must be entrusted, in a great measure, to subordinates, who cannot all be remunerated on a scale which will place them above the temptation of misusing their powers. A perusal of Section XIII. of the Bill will show what these powers are, and also how easily, under colour of a strict performance of duty, they may be made the means of oppression and exaction. And even if this be prevented by a careful selection of the officers entrusted with these powers, those liable to be taxed under the Act may be subjected, apparently with impunity, to serious inconvenience by any person, who, from enmity, or with a view to exaction, may lay false informations against them, or may simply make public their mercantile profits. I believe, also, that the vexatious and inquisitorial character of the tax will react most prejudicially on the rectitude of the people, and that its evasion will come to be regarded as a venial offence.”—Mr. Sim.

“If it is supposed that a collector and his subordinates will be able to check the frightful oppression, corruption, and inequality which will result from the necessary delegation of the powers of this Act to native revenue officers, adhikaries, menons, and others, I can only say that the idea is most Utopian. Of neces-

“cessity the powers given are enormous; and of like necessity, the very flexibility of the question of the extent of a man’s income will render it almost impossible to bring home to the offending revenue officer even the most glaring acts of unfairness.” —Mr. Holloway, Acting Judge of Tellicherry.

Mr. Malthby calls attention to “the impossibility of carrying out the intended taxation without large additional establishments to aid the collectors, since the principle of the Bill is to ascertain the profits of every person who follows a trade or profession, before a licence is issued; and this inquiry is to be renewed every year;” and Mr. Fisher observes: “The collector’s work would be enormously increased by his being obliged to settle each case on its recorded merits (for there is an appeal), whilst an amount of extra labour which they are quite unequal to would be thrown on the revenue establishments.”

The English objection, that this tax would take from the people a much larger amount than would be paid into the Treasury, gives a totally inadequate conception of the extent of the mischief. It would reverse the most essential of all improvements in this country, at which we have been labouring for years, and were at last beginning to see some prospect of attaining to it in a fair degree; I mean the limitation of the number and the increase of the pay of our native officers. This tax would again cover the country with a swarm of ill-paid, unprincipled, ill-superintended native subordinates, with duties so favourable to underhand exaction, that it would be impossible to prevent them from preying upon the people. The experience I have had of the want of principle in making the returns to the income tax, even in Christian England, makes me exceedingly dread the introduction of such an element of immorality and extortion into this heathen country. We have also been arranging to give to the collectors time for the proper performance of their important land revenue and magisterial duties; but all this would be at an end, unless the European establishment were increased to an extent which would alone eat up great part of the profits of the tax.

The bearing of the proposed tax upon the muhtarafa is important. Mr. William Robinson observes: “As regards this Presidency, the Bill would leave this large and new impost practically to the fate and fortunes which now attend the muhtarafa and visabadi taxes. Now, no heads of taxation have been so utterly condemned, even in this Presidency, as the muhtarafa and visabadi taxes; not so much as being objectionable in principle, as because the agency to which their assessment and collection is practically entrusted is so utterly, and, for the present practical purposes, so hopelessly untrustworthy, that the incidence of these taxes is unequal and oppressive; while much more is exacted from the people than reaches the Treasury.” Mr. Robinson elsewhere remarks: “Visabadi is unknown in 18 districts out of the 20 of this Presidency; and in some districts, as in Madura, the inhabitants assert a right of exemption from muhtarafa, even on the alleged faith of the Government; so that, patient as the people of this country have been of taxation, a certain and

“ general dissatisfaction will be felt throughout the Presidency;” and Mr. Sim, Secretary to the Board of Revenue, remarks, “ I think this Government will be placed in an embarrassing position towards the people by this Bill. It has been authoritatively declared, that the muhtarafa will be abolished, as soon as circumstances permit. To abolish it, as this Bill does, and in the very same enactment to establish another tax closely resembling it in character, and, to all appearance, perpetual, will, I fear, be regarded as a breach of promise.”

The state of native morality on the part both of payers and receivers at present renders this country totally unfit for an income tax; and one of the greatest boons we have conferred upon it, is the abolition of an enormous mass of direct taxation which, under the names of Sáir, Muhtarafa, Vísabadi, Hálat, Rusúm, &c., formerly exhausted its resources and repressed its industry. A fragment of this native system survives in the Madras Presidency; but it was long ago condemned by the Home Government and ordered to be abolished; as it ought now to be, with the exception of a small portion consisting of a house tax, which may with advantage be retained for municipal purposes, in those towns which undertake to provide for their sewerage, water supply, and other similar objects. The productiveness of the remaining taxes would be increased, by the removal of this incubus, to an extent far exceeding the eleven lacs (£110,000) at present yielded by the Muhtarafa.* The practical effect of the Licensing Bill, on the other hand, would be to re-enact the system in its worst form. Mr. Maltby remarks, “ If the native community were to be consulted, I believe that their choice would be, that the additional revenue required by Government should be raised by a return to the old Transit duties; and by that course the revenue officers of Government would be saved from direct controversy with the people on the delicate subject of personal taxation.” The native community is in the right. Although the Transit duties (which were abolished by my exertions a quarter of a century ago) were worse than any indirect taxation on record, their evil consequences were slight compared with those which would be certain to arise from the direct taxation now proposed to be re-established.

In England, of late years, great efforts have been made to place the precarious and laborious profits of industry on a more favourable footing than the income derived from realised property. In this Bill it is proposed to tax the profits of industry, when they

* It cannot be generally known that the miserable remnant of the great cloth manufacture of the South of India, which has been destroyed by English enterprise and unrestricted free trade, is included in the muhtarafa, under the name of “ Tax upon Weavers and Looms.”

The effect of any improvement in the condition of the people will be immediately felt in the increased productiveness of the salt tax, which has been lately raised to a rupee a maund, by order of the Supreme Government, and arrangements have been made by this Government to secure a more full collection of the tax. Although the importance of good salt for the preservation of health is nowhere more appreciated than in this country, the poorer classes in the interior are under the necessity of using an impure earth salt, or carbonate of soda. In the coast districts the consumption, hitherto, has been chiefly supplied by smuggling.

exceed 6l. 12s. a year, and entirely to exempt funded, landed, and house property. This is, therefore, not only inequality, but inequality in the wrong direction. The rich are filled with good things, and the hungry are sent empty away. There is, in my opinion, no just ground for this distinction. Our pledge to the Bengal zamindars at the time of the permanent settlement, merely extended to putting a fixed limit to the demand of the State for land revenue, like the fixing of the land tax in England by the 38 Geo. 3. c. 60. The grants to the zamindars, under the permanent settlement, were expressly "exclusive of all taxes, personal and "professional;" and they have since paid every general tax in common with the rest of the community. As regards the fundholders, there has been no pledge of any kind; but they are in equity entitled to the benefit of the principle embodied in the early Acts of Parliament relating to the English funds; that is, that they shall not be specially taxed as fundholders. but that their property in the funds shall be charged to any general tax, at the same rate as every other kind of property. Should the time ever come for imposing an Indian income tax, both fundholders and landholders should be included.

This Bill has no foundation in our Indian experience. Those traditions by the just observance of which this empire was acquired, and can alone be preserved, have no place in it. On the other hand it has the support, to some extent, of an opinion which has grown up in England, since attention has been strongly directed there to Indian affairs. I mean, that certain classes of the community, which have profited greatly by the protection of our Government, do not contribute in due proportion to its expenses. So far as this Presidency is concerned, this opinion is founded upon a mistaken analogy. The ryotwar system, as it was for so many years practically worked; the Muhtarafa; the destructive habit of pressing the means of conveyance; the corrupt subordinate native official class, uniting the functions of revenue and police, unable to live by their pay, and remarkable rather for collusion and extortion than for the protection they afforded, have prevented any accretion of wealth. The trading classes, who live by the well-being of the rest of the community, are consequently in a very depressed condition; and instead of being fit subjects of special taxation, they require every encouragement, that they may perform their part in reviving the industry of the South of India. In Bengal, no doubt, owing to the substantial, although in some respects mistaken, application of the principle of property involved in the permanent settlement, there is material prosperity, but it is proposed to exempt the zamindars, in whose hands the principal accumulation has taken place.* It is,

* The following from Mr. Francis Maltby is deserving of attention on this point :—

"In this reply, I have not thought it my duty to enter upon the general question as to the expediency of imposing additional taxation upon this Presidency, which is only just recovering from the depression caused by excessive taxation, or whether, if an additional contribution from this Presidency is necessary, it could be raised in any other way. I would only observe that, even after the reduction of our assessment, the land of Madras is taxed 1½ rupee per acre, while that of Bengal pays about half that sum. The accumulation of capital in Bengal is therefore vastly greater than in Madras; and although the present Act, which provides that persons

however, a mistake to suppose that these so-called favoured classes are free from taxation. Besides the land revenue, which is so large and so cheaply collected in Bengal as to form our great financial reserve, they pay export and import duties, a heavy salt tax on the consumption of themselves and their dependents, duties on intoxicating liquors and drugs, and stamp duties, besides other minor items of revenue.

The exemption in the 27th clause, in favour of persons whose salaries are fixed by Act of Parliament, cannot, of course, be intended to be part of the measure, as it would be finally passed; and, in saying that I should not avail myself of this privilege, if all other classes of public officers were taxed, I am only expressing the plain duty which belongs to my position under such circumstances.

For these reasons I am of opinion, that the "Bill for the licensing of Trades and Professions," ought to be entirely dropped.

In the papers noted in the margin* I explained my reasons for thinking, that great as is the present financial exigency, it can be met, not only with safety, but with great public advantage, by reduction of expenditure, combined with the issue of a sound Government paper currency, and some further temporary help from loans. Exhausted by the efforts and excitement of the last three years, this country is more at our disposal than it ever was; but we have not yet seriously begun to reduce the enormous additional establishments accumulated at the discretion of almost every district officer during the late crisis in Northern and Western India. As regards the Bombay Presidency, this assertion is fully borne out by the reports of the Military Finance Commissioners, dated the 21st of September and the 29th of October last. It will be there seen that the two great heads of extra expenditure, new levies and transport, have hardly been touched. In Northern India, there is a threefold establishment where there was only one. First of all, there is the old police; then there are numerous native levies, and Sikh regiments under the Commander in Chief; and lastly, there is a separate civil army under the local governments, known as "Military police" and "Police corps." This anomalous force is police only in name. It is neither disciplined nor disposable, like the regular army; nor is it brought into contact with the people for their protection, like a properly organized police. The levies of this description which have been formed since the mutiny in Bengal Proper, are singularly out of place. The Bengalees are

"making similar profits in whatever part of India, shall be equally taxed, is obviously just and fair, and the contribution of each Presidency will be in proportion to the number and wealth of its traders, it leaves the profits of accumulated capital untouched."

* Minute by the Governor of Madras, dated the 10th June 1859, on the proposed imposition of a tobacco tax and increase of the salt tax.

Ditto, ditto, 13th June.

Letter from the Supreme Government, dated the 20th June, asking for a fuller expression of the views of the Madras Government, in reference to "reduction of expenditure combined with various measures of good administration."

Minute in reply, dated the 11th July.

Minute dated 13th July, on the mutual relations of the Anglo-Indian Governments and the establishment of a corresponding system of finance.

the most unwarlike people in the world. They gave us no trouble during the mutiny. Our difficulties were entirely with the mercenary troops stationed among them; and this new mercenary force is at once a cause of alarm to the inhabitants, and of embarrassment and anxiety to the Government.

The people of Northern India have, I am confident, as strong a craving, at the present time, for the enjoyment of quiet, and for the exercise of peaceful industry, as we ourselves. Two operations ought to be simultaneously conducted throughout the length and breadth of the land; one, the formation of a real police, well organized, well paid, well superintended by selected European officers; the other, the organization of a sufficient, and not more than sufficient, military force, carefully calculated, both as to aggregate amount and the proportion of the different arms, and massed on commanding points, with its magazines secured and transport provided. The fixing of the military force is the key to the rest of the expenditure. Commissariat, ordnance, transport, follow in due proportion, as a matter of course. The intermediate civil army would then either be absorbed in the new police, or be returned to productive labour in the various occupations of private life. There never was a time when a large proportion of the youth of India could be so ill spared from active industry. At present they are a burden and a cause of anxiety. Dispersed in the fields, in the workshops, and on the railroads, they would largely contribute to our social and financial prosperity. When the subject is deliberately considered, it will be found that a much smaller military establishment will be sufficient than is generally supposed. The people of India are remarkably docile and easily governed. It is only when they are embodied as a military force that they are at all formidable. In other words, our difficulties are of our own creation. Even the European force may be diminished when there are fewer native levies to look after.

The prosecution of the Licensing Bill is totally inconsistent with this line of action. The Government would not have time or strength for both; but there is a still more decisive reason. The prosecution of the Licensing Bill would make it necessary to keep up our military force, at least at its present amount. The civil precautions suggested in the letter from the Government of India, dated the 14th of September last, would be utterly insufficient to meet the opposition which might be expected. Our best and most reliable officers are, generally speaking, already stationed at the more important posts; and as the matter would be perfectly intelligible to the body of the native community, it would be beyond the reach of personal explanation and management, if it were taken up by them as a cause in which their rights and future security are deeply concerned.

If the reductions are properly handled, and are properly combined with measures of civil amelioration, I am persuaded that they will not be attended with danger; but if some risk must be incurred, it would be over as soon as the new levies had been returned into the mass of the population, and would result in a state of the finances which would inaugurate a new era in India. If we choose the other policy, the danger will be cumulative. More troops must

be employed to meet a general state of discontent; and the employment of more troops would add to our financial embarrassment, and increase the probability of another explosion. On the late occasion, it was only the Bengal army. Now the whole people of British India would have a common cause. No course we can adopt is free from risk. What we have to do, is to weigh opposite considerations, and to determine in what direction the risk is least, and may be incurred with the greatest prospect of an early and satisfactory settlement.

I shall not again enter into the details of the question as it affects the Madras Presidency. We are endeavouring, to the extent of our limited powers, to follow the policy advocated in this paper. After allowing for the large contributions which the Madras army makes to the general military strength of British India by service beyond our frontier, the existing force is much larger than will be required, as our new police is extended, as our Inams are converted into freeholds, and the other improvements in progress, all tending to the contentment of the people and the promotion of their peaceful industry, are developed and matured.

Meanwhile, every branch of our revenue is becoming more productive. The increase of our land revenue alone last year, exceeded our share of the estimated produce of the tax on trades and professions. This was owing, not to augmentation, but to diminution of taxation. The reduction of the rates encouraged the breaking up of new lands and the growth of more valuable products on lands previously cultivated. The increase in the salt and other taxes more immediately dependent on the consumption of the people, also furnishes decisive proof of our advancing state. The South of India is going through a process of improvement compacted of many different parts; and what, above all things, is to be desired is, that this should not be interrupted by new discontent and excitement.

The following is a comparative statement of our revenue for the last two years:—

	1857-58.	1858-59.	Increase.	Decrease.
	Rupees.	Rupees.	Rupees.	Rupees.
Land Revenue - - -	3,61,81,771	4,15,20,294	53,38,523	—
Abkari, or Tax on Spirituous Liquors - - -	27,37,858	28,33,591	*95,733	—
Salt - - -	56,92,310	60,24,313	3,32,003	—
Sea Customs - - -	12,80,291	13,91,409	1,11,118	—
Muhtaraft - - -	10,51,534	11,03,253	51,719	—
Stamps - - -	7,50,737	8,07,179	56,442	—
Land Frontier Duties - -	1,93,806	1,96,062	2,256	—
Extra Revenue - - -	2,45,410	2,20,150	-	25,260
Total - - Rs.	4,81,33,717	5,40,96,251		
£	4,813,371	5,409,625		
Net increase in 1858-59, Rs. 59,62,534 - - - £ 596,253.				

* The increase in the Abkari would have been larger if the tax had not been generally leased out for a fixed term.

The "Extra Revenue" is merely a minor head of account comprising collections after the close of the yearly accounts, interest, &c., and fluctuations in its proceeds are therefore not indicative of greater or less prosperity.

(Signed) C. E. TREVELYAN.

Madras, 1 December 1859.

No. 4.

From the Military Finance Commission to the Inspector General of Ordnance and Magazines, Madras.

SIR,

Calcutta, 7th June 1860.

I beg you will refer to the anticipation Sketch Estimate for the details of charges on which the Accountant-General made up the estimated amounts, as entered in his Sketch Estimate for 1860-61, and see whether the Ordnance charges are correctly entered. There is a charge for a store department at Poonamallee which appears excessive; a charge of 88,000 rupees for making up light field carriages appears to be very unnecessary; the charges of 36,000 for extra workmen in arsenals is also considerable; indeed there are great openings for reductions in the proposed expenditure of the Ordnance Department.

2. The amounts entered in the Commissary General's estimate appear very excessive for the ordnance, but it is very difficult to ascertain the real amounts from the vagueness of the heads of service; the Commission suggest to you to ask the Commissary General to show the proposed charges for the Ordnance Department, and then to verify the amounts with those in the Sketch Estimate for 1860-61.

I have, &c.

(Signed) G. J. JAMESON, Colonel,
Pres. Military Finance Commission.

From the Acting Inspector General of Ordnance and Magazines to the Military Finance Commission.

GENTLEMEN,

I HAVE the honour to acknowledge the receipt of your letter No. 1,545, of 7th June 1860, and to state that its perusal causes me great surprise.

2. I beg very distinctly to intimate that no Ordnance Store Department is maintained at Poonamallee; that a charge of 88,000 rupees for light field carriages has no existence in the Ordnance Estimate for 1860-61; and that the figure at which the estimated cost of extra artificers is set down, viz., 36,000 rupees, is simply a grave inaccuracy, no such charge appearing in the estimate submitted by this department to Government.

3. As no communication on the subject of the probable ordnance charges for the year 1860-61 has taken place between the Accountant-General and this department, I infer that that officer's Sketch Estimate must have been compiled, as far as the Ordnance Department is concerned, on perfectly independent and extremely questionable data.

4. The only estimate prepared by this department for the year 1860-61 was that required in adaptation of the Indian to the English system of finance; and this estimate was submitted to Government on the 28th April last, copy of which I enclose.

5. For this estimate I am prepared to be held responsible, and I beg the Commission to accept it as a fair index of the ordnance expenditure of the current year. By contrasting the amounts exhibited therein, under the several heads, with the actual expenditure incurred in former years under those heads, the reduction in ordnance expenditure in 1860-61 may be deduced.

6. I believe the Commission are aware that all prospective estimates furnished by heads of departments have heretofore been prepared on one fixed principle, viz., that of taking the average of the receipts and expenditure for a series of years, without regard to any extraordinary circumstances that may have affected the past, or any accomplished or contemplated changes that may influence the future.

7. This fact furnishes the key to the extravagant amounts entered in the Accountant-General's estimate.

8. First, as regards the estimated charge of 88,000 rupees for light field carriages, I have stated that it has no existence in the Ordnance estimate for 1860-61, and I now beg to add, that from July 1857 to April 1860, including a very disturbed period, during which special requisitions for light field carriages were made to meet the urgent wants of field service, the entire amount advanced to the Superintendent Gun Carriage Manufactory was only 48,000 rupees, and advances for this purpose wholly ceased on the 1st May 1860; so that, at a time when expenditure had reached its maximum, the average annual expense for extra light field carriages, apart from the ordinary work of the gun carriage manufactory, never exceeded 16,500 rupees.

9. I perceive, however, how the Accountant-General has deduced the figure 88,000 under the head of light field carriages.

1856-57	-	45,944	It is in fact but the average of the sum of advances made for <i>all</i> purposes, and for the most miscellaneous supplies, to all arsenals and manufactories, by the Ordnance department from 1856-57 to 1858-59, as shown in the margin.
1857-58	-	1,26,702	
1858-59	-	91,292	
3)2,63,938			
87,979			

10. To have made such a deduction apply to the probable Ordnance charges of 1860-61 was purely erroneous, as the data from which it was drawn represented the charges of exceptional years, that is years of extraordinary expenditure not likely to recur.

11. Second, the item 36,000 rupees for extra workmen may be similarly illustrated, for, like the preceding one, it is neither correct

in amount nor in the object for which it is stated to be incurred. The amount thus exhibited is nothing more than a three years average of the cost of extra artificers employed, and extraordinary purchases of stores* made, under the authority of the Inspector-General of Ordnance, and chiefly during the service emergencies of 1857-58 and 1858-59.

12. My memorandum of the 24th November 1859, on the re-classification of arsenal establishments, was communicated to the Accountant-General, with the order of Government, No. 4480, dated 17th December 1859. In that document I showed that a reduction of 48,185 rupees had *then* been made in the Ordnance establishment since the 1st March 1859, and I marked out a further reduction of 59,287 rupees, and distinctly stated that all extra artificers, &c. had been discontinued throughout the Ordnance department; consequently no charge of this nature could possibly stand against the department for 1860-61, but, on the contrary, the expenses of its personnel should have been estimated at a figure far below that of either 1858-59 or 1859-60.

13. The foregoing explanation so fully demonstrates the fallacy and dangerous tendency of prospective estimates blindly framed on a system of averages, without reference to passing events, and officially recorded facts, that I need add nothing more to induce the Commission to advocate their entire suppression, if indeed they are not of opinion that they have been already superseded by the recent introduction of the Budget system.

I have the honour to be, Gentlemen, your obedient Servant,

(Signed) GEO. SIMPSON, Lt.-Col.

Acting Insp.-Gen. of Ord. and Mags.

Inspector-General's Office, Fort St. George,
June 1860.

No. 5.

MINUTE by the Honourable the President.

As I have had experience of the working both of the English and Indian Governments, I may be able to make some suggestions which will be for the public advantage.

The Government is carried on in England, partly by the Cabinet, which is chiefly occupied with Parliamentary and other business not connected with administration, partly by the Treasury, which exercises a controlling power over the administrative departments, and partly by the administrative departments.

In this country, all that is done at home by the Cabinet and the Treasury, and great part of what is done by the War Office, Admiralty, Office of Works, and the other administrative departments, is done by the governors, assisted by their respective councils.

The first consequence of this is, that all the Indian governments

* Sixty thousand rupees for revolver pistols alone.

are completely over-tasked, the Governor General and the Governors are overwhelmed with boxes of papers, and the invaluable time of these highly paid functionaries is frittered away in attending to details which are entrusted at home to junior clerks. Nine-tenths of their business is of a purely executive character, and so much of their time and strength is absorbed by it, in a climate not favourable to prolonged mental application, that they are unable to do justice to the remaining tenth, which includes the consideration of every Indian question of real importance, as well as the supervision of the administrative departments.

Another consequence is, that as the departmental chiefs are not expected to act on their own responsibility, inferior men can be appointed to these situations from personal motives; and no person, whatever his capacity, can take an interest in his duties or cordially exert himself when he feels that he is not trusted. Bills which would be considered a waste of the time of the clerks of the Treasury or of the senior clerks of the War Office, are here made the subject of correspondence between the administrative departments and the government, and the public business is delayed until the sanction of the Government can be obtained.

Another point of vital importance is the relation of the local and supreme governments. When I was in the secretariat at Calcutta, I assisted Lord William Bentinck in taking the first timid, tentative steps towards the establishment of the control of the Supreme Government after the Charter Act of 1833 had been passed. I also assisted in remoulding the constitution of the Indian governments in 1853. It was not intended that the Supreme Government should occupy the place which had previously been held by the local governments. It is physically impossible that the real government of the whole of India can be carried on by one set of men from one place; and the result of the attempt has been to paralyse the local governments without providing any effectual substitute for them. The south of India differs from the north as much as France does from Germany or England; and if it had been intended that the detailed administration of the south of India should be conducted at Calcutta, provision would have been made for assisting the Governor General in his secretariat and executive council with officers trained in the peculiar system of the south. The terms in common use of "subordinate" and "minor" presidencies, show how deeply the mistaken notion arising from the civilian councillors and the secretaries of the Governor General being taken exclusively from the Bengal Presidency, has taken root. According to the constitution of British India, there is one Supreme General Government without any local charge, and several co-ordinate presidencies; but the practice has been very different.

The Governor in Council of this Presidency is the only representative of the authority of Government known to 22 millions of Her Majesty's subjects; and functionaries in this position have an instinctive feeling that it is better that they should do nothing than do that which would bring their authority into contempt. As the local government cannot be superseded, it ought to be maintained in all authority and honour.

Again, infinite waste of invaluable time and strength has been caused by the following assumptions, upon which the Supreme Government has habitually acted of late years. Firstly, that no arrangement should be made in reference to any part of India which is not applicable to all the rest; and, secondly, that *prima facie* grounds exist, that whatever is applicable to Northern India, is equally applicable to the Madras and Bombay Presidencies.

Progress is impossible, if, besides proving that a measure is required for the Tamil, Telegu, Malayalam and Canarese people, or any of them, we have also to show that it is not unsuited to the Bengalees, and the countless millions inhabiting the great plains which extend from Bengal to the Indus.

The consequence of the other proposition is even more injurious to the public interest. In government, as in other things, the true process of reasoning is the Baconian one. We ought to build upon the foundation of actual induction; making only such amendments, whether suggested from within or from without, as experience may show to be required. When, therefore, we are asked to conform our system to that of Bengal, we are called upon to forego the ripe fruits of experience, round which the public feeling and the *esprit de corps* of this presidency have gathered through many official generations, and to enter upon the discussion of what to us are entirely abstract propositions. Can we be surprised that, under these circumstances, a feeling of general discouragement and indifference has prevailed, and that a serious check has been given to the progress of improvement.

The true function of the Supreme Government is to regulate those things which are of common interest, such as diplomacy, post office, customs, &c.; to supervise the proceedings of all the local governments, so that, however much they may differ in form, they may be guided by the same general principles; and, above all, to maintain substantially one financial administration for the whole of British India. After the experience we have had, I doubt whether the Supreme Government can be permanently kept within its proper limits until it is made a general government for all India, by being placed in a central position apart from any particular presidency, and by its being composed in its secretariat, as well as in its executive and legislative councils, of officers selected from every part of India; but as governments have a tendency to be shaped by their most powerful element, which is finance, the immediate remedy is to be sought in that direction.

The beautiful system of finance which has grown out of the control exercised by Parliament over the executive Government of England, is well adapted, with proper modification, to remedy the defects both in the internal machinery and in the external relations of the Anglo-Indian Governments. The foundation of that system is the preparation by each department of an estimate of its expenditure during the ensuing year. The attention of the responsible administrative officers is thus periodically called to the state of their expenditure, and such alterations are made as the change of circumstances requires. These estimates are then revised at the Treasury, and are carefully compared with the estimates of ex-

pected income furnished by the officers of the revenue departments; the results being submitted to Parliament under the name of "The Budget." The last stage, is the sifting which the estimates undergo in Parliament, and their incorporation, under general heads, in the annual Appropriation Act. It is deserving of notice that the only effectual handling which the estimates receive is from the departments themselves, and that the principal advantage of the revision they undergo by the Treasury and Parliament, is that the departmental chiefs are kept on the *qui vive* by it; because there is always somebody ready to expose every abuse. Another great benefit of this system is, that it enforces an annual comparison of the whole of the income with the whole of the expenditure, and a deliberate apportionment of the surplus, if there be one, according to the demands of the time.

By a proper application of this system, the problems which have embarrassed our Indian administrators of late years would be solved. The chiefs of departments would be placed in their proper position; and as they would order the expenditure on their own responsibility, provided they did not depart from the detailed appropriations sanctioned upon the estimates, the Anglo-Indian Governments would be saved from a great variety of miscellaneous business which now absorbs their time. The control of the Supreme Government would be maintained by the arrangement which would bring the whole of the expenditure of India under its revision once in every year, and by the obligation the subordinate governments would be under, not to exceed any of the principal heads of expenditure in their respective estimates, without the previous sanction of the Supreme Government; and the subordinate governments would be saved from the humiliating necessity of making a separate application to Calcutta on every occasion on which any new expenditure, however trifling, was required; and would have the same discretionary power which is allowed to the administrative departments at home, of applying the surplus upon one item to supply the deficiencies upon others under the same general head of expenditure, provided the aggregate amount appropriated under that head was not exceeded. The whole of the expenditure of British India would undergo a three-fold annual revision by the most competent authorities acting under a strict responsibility; and instead of the present partial and imperfect application of the "Budget" system to the department of Public Works, the principle would be extended to the whole of Anglo-Indian finance, in the shape of a close annual comparison of the income and expenditure, and of the adjustments and improvements which would arise out of it.

I have purposely confined myself to leading principles, because if they are admitted, the details will follow as a matter of course. Several existing practices, including some of recent introduction, are inconsistent with proper financial administration; but as they are rather symptomatic than organic, I will not enter upon them.

(Signed) C. E. TREVELYAN.

13 July 1859.

No. 6.

India Office, London,
10th May 1860.

Public.

SIR,

1. In my Despatch No. 23 of this date, I have communicated to you the reasons for which Her Majesty's Government have been compelled to take the painful step of removing Sir Charles Trevelyan from his appointment as Governor of Fort Saint George.

2. Her Majesty's Government desire at the same time to place upon record their high appreciation of the services which Sir Charles Trevelyan has rendered during his administration.

3. They have observed with great satisfaction the careful attention which he has given to the numerous questions of importance which have been brought under the notice of your Government during this period.

4. His observations upon the condition of the districts of your Presidency which he has visited show that his constant aim has been to raise the moral condition and to increase the material prosperity of the people.

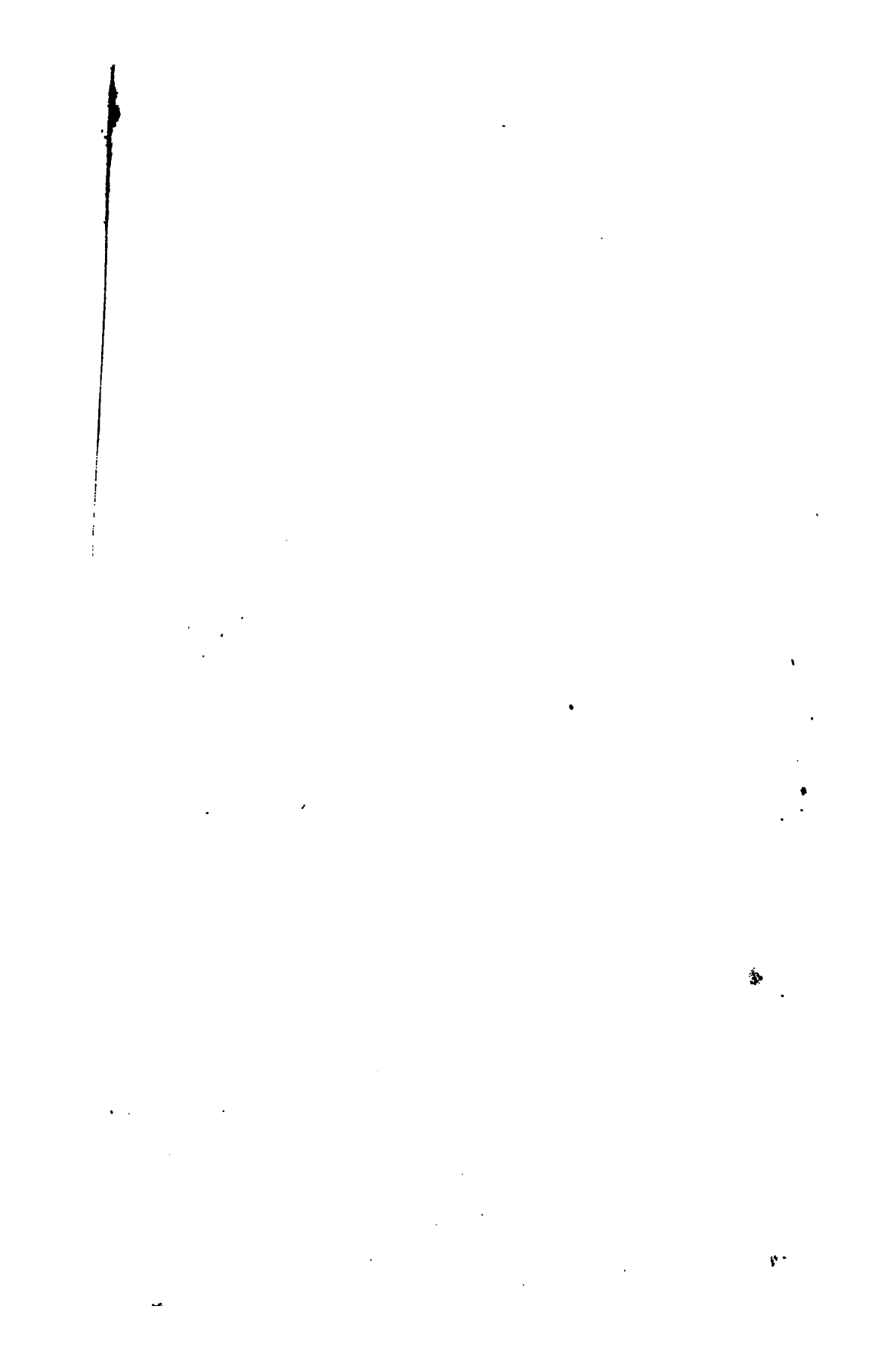
5. No servant of the Crown has more earnestly endeavoured to carry out the great principles of Government which were promulgated to the Princes and people of India in Her Majesty's Gracious Proclamation.

6. For these valuable services the thanks of Her Majesty's Government are due to Sir Charles Trevelyan.

I have, &c.

(Signed) C. Wood.

To his Excellency the Honourable
the Governor in Council, Fort Saint George.



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